

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,764

Monday October 28 1985

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Why we need
an entente
cordiale, Page 15

Alma... Sch. 18	Indonesia... Rp 2500	Peru... Esc 80
Barbados... \$1.00	Italy... £ 1.300	S. Africa... R 6.00
Bulgaria... 87.42	Japan... Y550	Singapore... \$3 4.10
Canada... \$1.00	Jordan... Fr 500	Spain... Pes 1.10
China... 2.00	Korea... Fr 500	Sri Lanka... Ru 30
Cyprus... £1.00	Lithuania... L 100	Tunisia... D 1.000
Denmark... Dkr 7.25	Malta... L 1.00	U.S.A... \$1.00
Egypt... £1.00	Monaco... Fr 25	U.S.S.R... R 2.20
Finland... Fr 0.93	Montenegro... Sr 6.50	Vietnam... D 1.00
France... Fr 6.00	Portugal... Esc 2.20	Yugoslavia... D 1.00
Germany... DM 2.20	Malta... Fr 25	Zambia... K 1.00
Greece... Dr 2.70	Tunisia... NT 500	Zimbabwe... £ 1.00
Holland... Fr 2.50	Turkey... L 1.00	
Hong Kong... HK 12	U.S.A... \$1.00	
Ireland... £1.00	U.S.S.R... R 2.50	
Italy... L 1.00	Vietnam... D 1.00	
Japan... Y550	Yugoslavia... K 1.00	
Malta... Fr 25	Zambia... K 1.00	
Monaco... Fr 25	Tunisia... NT 500	
Morocco... Dr 6.00	Turkey... L 1.00	
Portugal... Esc 2.20	U.S.A... \$1.00	
Spain... Pes 1.10	U.S.S.R... R 2.50	
Sri Lanka... Ru 30	Vietnam... D 1.00	
Tunisia... D 1.000	Yugoslavia... K 1.00	
U.S.A... \$1.00	Zambia... K 1.00	
U.S.S.R... R 2.20		
Vietnam... D 1.00		
Zambia... K 1.00		
Zimbabwe... £ 1.00		

World news

Chirac pledges to shun far right

Jacques Chirac, leader of the French neo-Gaullist RPR opposition party, pledged that any right-wing French government taking power after next March's general elections would not rule with extreme right-wing ministers.

He made the promise in a televised debate with Laurent Fabius, the Prime Minister, which was widely seen as the opening shot of the election campaign.

The debate, the first major television confrontation between left and right-wing ministers since 1981, saw the two men clash on several issues.

U.S. split denied

Robert McFarlane, President Ronald Reagan's National Security Adviser, defended the U.S. Administration against charges that it was split over its approach to the summit meeting in Geneva next month. Page 3

Lisbon invitation

Portuguese President Antonio Ramalho Eanes will tomorrow ask Social Democrat leader António Cavaco Silva to form a minority government. Page 2

Coalition confusion

The prospects for a "red-green" coalition in the West German state of Hesse remained uncertain as the Greens' environmentalist party opened a debate on approving plans for a joint government with the Social Democrats. Page 2

Worshippers killed

Fourteen people died and 78 were wounded when rebel missiles hit the main mosque in the western Afghan town of Herat, the official Kabul Radio reported.

Israel accused

The International Committee of the Red Cross accused Israel and its militia allies of preventing Red Cross visits to scores of prisoners in south Lebanon. Meanwhile, Israeli Prime Minister Shimon Peres said peace talks between Israel and Jordan were a growing possibility. Page 3

Detainees freed

Punjab authorities ordered the release of 300 people detained in connection with Sikh extremism.

Arrests quashed

Argentinean judges quashed arrests ordered by the Government under the state of siege, deepening the conflict of powers between the executive and the judiciary. Page 3

African vote

Voters in the Ivory Coast began the formalities of giving 80-year-old President Félix Houphouët-Boigny another five years in power. Page 3

Pretoria police boost

South Africa is to strengthen its police force by 11,000 and build extra police stations in black townships. The Institute of Race Relations, an independent body funded mainly by liberal businessmen, said black violence could subside if police were disciplined and basic grievances tackled. Page 3

Paintings stolen

Three gunmen stole nine Impressionist paintings, including works by Monet and Renoir, from the Marmottan Museum in Paris.

New Soviet jet

Aeroflot, the Soviet state airline, is to produce a long-distance passenger aircraft within the next five years, its first since 1980. The Communist Party newspaper Pravda said.

Longchamp winner

Mersery, ridden by Jean-Luc Kessas, trained by Patrick Biancone and owned by art millionaire Daniel Wittenberg, won the Prix Royal Oak, the French St Leger, at Longchamp. Page 20

Business summary

Honda to pursue European venture

HONDA, Japanese car maker, was expected to go ahead with plans for a joint venture giving it access to the European volume car market. The company intends to co-produce with UK state-owned BL's Austin Rover division a replacement for the Maestro and Rover 200 models by 1988. Page 16

European Monetary System

Most currencies were quiet and featureless last week as attention remained focused on the dollar. The Belgian franc was again the weak-

est currency, but came under no pressure and the Belgian National Bank was able to keep the downward momentum on domestic interest rates by cutting the rates on short-term Treasury certificates. The Belgian discount rate was reduced on October 17.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the 'bra' is allowed to move more than 2% per cent.

The lower chart gives each currency's divergence from the 'central rate' against the European Currency Unit (ECU), itself a basket of European currencies.

TOKYO: Nikkei-Dow market index fell a further 22.36 to 12,832.63 on Saturday, after the sharp drop of 11.69 in Friday's trading.

A TWO-DAY strike by staff in New Zealand's banks and its Datibank financial paperwork clearing centre will throw the country's banking system into chaos tomorrow when business resumes after the Labour Day fall.

At the same time, the Government should encourage faster job creation by cutting employers' National Insurance contributions by one or two percentage points and by spending an extra £1bn (£1.4bn) a year on cost-effective construction programmes.

The recommendations come ahead of the publication tomorrow of the CBI's quarterly Industrial Trends Survey. That is expected to show a weakening of business confidence in both domestic and over-

seas markets, and a slowdown in the pace of growth of manufacturing output.

Companies are also reporting that they are still cutting their labour forces, but are said to be increasingly optimistic over the prospects for inflation.

In representations to Mr Nigel Lawson, the Chancellor of the Exchequer, ahead of next month's autumn statement on the economy, the CBI says that he should relax tight monetary policies to allow both interest rates and sterling to fall.

Both fiscal and monetary policy must be made to accommodate a higher rate of economic growth than that envisaged at present for 1986," it says.

The inflationary risks of such a strategy, it says, are minimal, because the falling dollar should reduce the cost of imports and because the economy has sufficient spare capacity to meet at least a one percentage point increase in economic growth.

The CBI is pressing all these plans because it believes that the

Government's present plans will not give scope for the improvements in growth and job prospects which are vital to the UK's economic future."

It agrees that industry should do its part to boost employment by holding down wage increases, but says that the Government should also help by making it cheaper for companies to take on workers.

A cut in National Insurance contributions, it says, would have a substantial long-term impact on job prospects, while increased spending on infrastructure could be financed by savings on current outlays.

"Unemployment is unlikely to fall significantly from the present level without the changes the CBI is calling for," it says.

The call for lower interest rates echoes the Confederation's demands earlier this year, but has been reinforced by the evidence from companies of a sharp slowdown in export orders because of the resulting rise in sterling's value.

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It agrees

OVERSEAS NEWS

Rome and Paris talks open way for deal on Mediterranean trade

BY QUENTIN PEEL IN BRUSSELS

THE outline of an agreement on future trade relations between the EEC and the rest of the Mediterranean basin—the last outstanding problem involved in the forthcoming membership of Spain and Portugal—emerged at the weekend from an informal meeting of Community foreign ministers.

The deal seeks to reconcile the competing demands of Italy and France by maintaining traditional levels of EEC imports of Mediterranean fruit and vegetables like oranges and tomatoes, without overwhelming existing EEC producers. However, West Germany and Britain may object to the budget cost of the compromise.

Final details will have to be thrashed out by national officials in Brussels over the coming weeks, but the foreign ministers were hopeful yesterday that they had the makings of a compromise to be presented to the Mediterranean countries, as well as Morocco, Algeria, Tunisia, Israel and Cyprus, in future negotiations.

The problem of resolving the Mediterranean trade impasse shadowed the significantly informal meeting, and relegated the importance of discussion of

broader international issues. The compromise worked out between M Roland Dumas, the French Foreign Minister, and G Giulio Andreotti, his Italian counterpart, centres on gradual reduction of import tariffs over four years, with a review at the end of the period. This would be combined with a more generous financial co-operation agreement with the North African and Middle Eastern countries, and aid for improving their own food self-sufficiency.

After four years, the European Commission would review import levels.

France had argued that a good trade deal must be offered to the Mediterranean countries and finalised before the end of the year. Italy insisted that there was no such urgency, and a fully-fledged co-operation agreement should be worked out first.

M Dumas said after the meeting that he believed the broad agreement in principle would be enough to persuade the French national assembly to ratify the accession of the six enabling Spanish and Portuguese membership on January 1 1986.

Italian officials were more cautious about the deal.

Eanes to consult parties

BY DIANA SMITH IN LISBON

PRESIDENT Antonio Ramalho Eanes will on Tuesday invite the Portuguese Social Democrat leader Professor António Cavaco Silva to form a minority Government.

The Social Democrats won 30 per cent of the vote in the October 6 general election, taking the lead of Portuguese

politics away from Sr Mario Soares' socialists.

Because of bureaucratic difficulties in compiling the election results, President Eanes was prevented until today from carrying out the constitutional formality of consulting all parties represented in Parliament. The president is now seeing these parties.

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Company Notices

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(redeemable at the holder's option in 1990)

unconditionally guaranteed,
as to payment of principal and interest, by

The Republic of France

In accordance with the provisions of the Notes, notice is hereby given that for the three months period, 24th October, 1985 to 24th January, 1986, the Notes will bear interest at the rate of 11/4 per cent per annum. Coupon No. 9 will therefore be payable at the rate of £149.66 per coupon from 24th January, 1986.

S.G. Warburg & Co. Ltd.
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THOMAS NATIONWIDE TRANSPORT LIMITED

(INCORPORATED IN THE
AUTOMOTIVE INDUSTRY)

NOTICE OF MEETING
15 NOVEMBER 1985

The Company will be held in the Directors' 2nd Floor
Meeting Room, 100 Grosvenor Gardens, London SW1X 7RS
(3) ORDINARY BUSINESS

To receive and consider the Minutes of the
Meeting of the Board of Directors held on
the 21st June 1985 and the
Annual Report and Accounts for
the year ended 31st December 1984 and
the financial statements together with
the audited accounts and the reports
of the auditors and the
reserves of the Company and its
subsidiaries and the reserves
of the Group and the
2 Dividends. To declare the dividends in
respect of the year ended 31st December
3 To elect Directors. Mr. J. Landor
and Mr. G. H. Hartnett, who were
re-elected in accordance with Article 8
of the Articles of Association
and, being eligible, offer themselves
for election. The Directors: Mr. C. H. Souter,
Mr. G. H. Hartnett, Mr. J. Landor
and Mr. J. H. Hartnett, who are
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OVERSEAS NEWS

Peres optimistic on talks between Israel and Jordan

BY WALTER ELLIS IN JERUSALEM

PEACE negotiations between Israel and Jordan are a growing possibility, Mr Shimon Peres, the Israeli Prime Minister, said yesterday.

Reporting to the Unity Cabinet in Jerusalem following his visit last week to the U.S. and France, Mr Peres said that he had perceived a "dramatic change" in international attitudes towards peace talks and the Palestine Liberation Organization.

His call to the United Nations Security Council last week in New York to convene direct talks between Israel and a Jordanian/Palestinian delegation could, he told ministers, result in direct bilateral negotiations.

Mr Peres arrived back in Jerusalem expecting a barrage of criticism from right-wing Likud members of the Cabinet. However, his performance abroad has been received with such acclaim, especially in the U.S., that his critics have been disarmed.

The Prime Minister gave an assurance that he had not urged an international conference on the Middle East and had not back-tracked on the Government's refusal to negotiate with

Israeli warplanes struck at a Palestinian guerrilla complex yesterday and an Israeli official in Tel Aviv said eight buildings were hit and tanks, armoured vehicles and an ammunition dump destroyed in the raid. No casualties reports from Beirut.

There was no word on casualties but the Syrian-sponsored National Palestinian Salvation Front condemned the attack.

Reports said two bases of Syrian-backed Popular Front for the Liberation of Palestine in the central Lebanese villages of Barr Elias and Taanayel were targeted.

"terrorists."

Several Likud ministers had promised political fireworks to greet the Premier's return. In the event, little opposition was shown and the Cabinet session was largely one-sided.

If Mr Peres is right in his assessment that international, especially Jordanian, support is drifting away from the PLO, then the deadlocked peace process with Amman might indeed be jerked free.

Gandhi rejects Pakistan denials

BY JOHN ELLIOTT IN NEW DELHI

THE INDIAN Prime Minister, Mr Rajiv Gandhi, yesterday refused to accept that Pakistan is not developing nuclear weapons despite personal assurances to the contrary given to him last week in New York by President Zia ul Haq.

But while this key point of difference remains, the two leaders did agree to try to improve the fractious and often hostile relations between their countries by starting talks on the problem of infiltrators crossing from Pakistan into the northern Indian states of Punjab and Kashmir. They will also try to improve trade relations.

This emerged yesterday when Mr Gandhi returned from a two-week foreign tour which reinforced his international image and ended with a sudden visit to Moscow for talks with Mr Mikhail Gorbachev, the Soviet leader.

The Moscow visit sparked speculation that Mr Gandhi was either mediating between the U.S. and USSR on nuclear disarmament or Afghanistan, or was discussing the problems of Pakistan's alleged nuclear programme.

Last night Mr Gandhi denied he was mediating but added that the Non-Aligned Movement, of which he is chairman, is always a bridge between the super powers.

He said the Moscow visit on Saturday had been planned but not finalised in advance, a claim supported by his leaving his aircraft in Moscow wearing a fur hat and top coat.

Asked how he had managed to line up with the views of British Prime Minister Margaret Thatcher on sanctions against South Africa at the Commonwealth conference, he replied: "We did not go along with her. She came along with us."

S. Africa to boost strength of police force

By Anthony Robinson in Johannesburg

U.S. SUPPORT for the Peres initiative seems clear, and even the Soviet Union could be drawn into participation via the Security Council. Mr Peres is known to want to allow Moscow to adopt a prominent role but would be willing to accept some Soviet involvement simply in order to get things moving.

This would especially prove the case if the quid pro quo was an early re-establishment of diplomatic relations between Israel and the Soviet Union suspended since the six-day war in 1967.

Jordanian reaction to Mr Peres' call for direct talks via the Security Council remained to be seen. Early conflict seems inevitable. While the Likud remains less than fully committed to negotiations that would include the future status of the West Bank and Gaza, Mr Peres still faces opposition in Israel.

The Israeli Premier, however, has stamped his personal authority on the process, with U.S. backing. The move should come from Amman, where relations between King Hussein and Mr Yassir Arafat, the PLO leader, are again tense and uncertain in the wake of the Achille Lauro affair.

If Mr Peres is right in his

assessment that international, especially Jordanian, support is drifting away from the PLO, then the deadlocked peace process with Amman might indeed be jerked free.

Baker banks on non-U.S. creditors

BY STEWART FLEMING IN WASHINGTON

Mr James Baker, U.S. Treasury raised eyebrows last week when he told Congress he expected non-U.S. banks to contribute about \$13bn (£8bn) of the \$20bn of new commercial bank lending over three years called for in the plan he has proposed to boost economic growth in developing countries.

It has been widely assumed that, not least because Latin American nations are the main focus of the Baker initiative, it would be U.S. banks which would have to shoulder the major burden of increasing their loans to the 15 developing countries Mr Baker is targeting for special help.

Both Government and private

statistics show clearly that even in Latin America it is non-U.S. banks, including European and Japanese lenders, who hold

ments for non-U.S. banks. But it is also the case that in relation to their capital and their total loan portfolios some individual U.S. banks are generally believed to be more deeply committed, particularly in Latin America, than most of their foreign competitors.

Nevertheless, foreign bankers meeting in Washington today to discuss their response to Mr Baker's plan are thus well aware of the burden of responsibility they bear in formulating that response.

According to data drawn up from private banking sources banks hold about 66 per cent of the \$42.6bn of debt which the 15 borrowers had outstanding at the end of last year. The nine Latin American countries on the list accounted for 70 per cent of the bank debt.

Figures prepared earlier this

year by Morgan Guaranty Trust

of New York and published in the July issue of World Financial Markets, covering all Latin American nations, suggest that Latin America had bank debt outstanding of \$24.6bn at the end of last year of which two-thirds was owed to non-U.S. banks.

U.S. Government data for the

nine Latin American countries

covered by the Baker plan

putting U.S. bank loans to the

region as slightly over one-

third of the total.

Even in the four major Latin

American debtor nations—

Argentina, Brazil, Mexico and

Venezuela—non-U.S. banks held

65 per cent of the \$200bn of

outstanding bank debt at the

end of last year, according to

Morgan Guaranty.

Alfonsin appeals arrest ruling

BY JIMMY BURNS IN BUENOS AIRES

ARGENTINA'S main appeals court was yesterday meeting in an extraordinary session in an attempt to settle the deepening and politically charged conflict of powers between the Executive and the judiciary a week away from next Sunday's mid-term Congressional and municipal elections.

The two judges based their decision on a law recently approved by Congress, but apparently overlooked by the Government, empowering the judiciary to review the legitimacy of arrests ordered under state of siege.

Over the weekend two judges squashed a series of arrests ordered by President Raul Alfonsin's Government under a limited state of siege declared on Friday, and ordered the release of five military officers and two civilians allegedly linked to the recent wave of bomb attacks.

The judges claim there is no

evidence justifying the con-

tinued detention of the seven,

who include senior army intelligence officers and a journalist working for the conservative La Prensa newspaper.

On Saturday night Sr Carlos Agramonte, the Minister of Justice, accused the judges of "interfering with executive powers" and of "causing social alarm" by allowing the release of individuals accused of "conspiring against democracy."

The President is widely expected to be re-elected by an overwhelming majority of the 3.6m electorate when the results are officially declared on Tuesday.

Unlike other veteran African presidents such as Tanzania's Julius Nyerere and Sierra Leone's Siaka Stevens, both stepping aside this year, President Bokassa, 50, has decided to continue to lead this stable and prosperous West African state of nearly 10m people.

He had been expected to name a vice president and official successor at a congress of the PDCI-RDA, the country's sole political party. But he again changed the constitution and reverted to the previous formula whereby the president of the National Assembly would take office for a 45-60 day interim period while presidential elections were organised.

● Mr Ali Hassan Mwinyi was expected to be endorsed as successor to President Julius Nyerere by the Tanzanian electorate yesterday. Mr Mwinyi is due to be sworn in on November 2, when Mr Nyerere will step down.

McFarlane denies splits on summit

BY OUR WASHINGTON STAFF

MR ROBERT McFARLANE, President Ronald Reagan's National Security Adviser yesterday vigorously defended the Administration against charges that it is divided over its approach to the summit meeting with the Soviet Union scheduled to be held in Geneva next month.

Downing Street confirmed, however, that Sir Geoffrey was a possible candidate as Britain's representative on the mission, but no nomination had yet been put forward.

President Reagan runs his policy process and he intends to set a course which will make progress in his relationship

with the Soviet Union," Mr McFarlane said. He added that the diversity of opinion which Mr Reagan receives ensures that he before him high quality input into the decisions he makes.

Mr McFarlane in a television interview said that arms control will undoubtedly be on the agenda in Geneva. He indicated last week that Mr Reagan is working on a new arms control proposal. Yesterday he said that he is expecting Mr George

Shultz, U.S. Secretary of State, to resolve a number of minor bilateral issues — he cited Pacific air safety — on his visit next week to Moscow.

Mr McFarlane's comments follow disappointment in Europe with the truculent tone which Mr Reagan adopted in his speech to the United Nations last week and fears that divisions within the Administration will make it difficult to achieve arms control progress in Geneva.

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OVERSEAS NEWS

Mostek closure forces rethink on Irish high-tech sector

BY HUGH CARNEY IN DUBLIN

HANGING IN the now near-deserted entrance hall of Mostek, Ireland's high-tech Dublin plant, is an extravagant artist's impression of what might have been.

The picture of crisp, brick-built buildings interspersed with pools and fountains and set on a spacious industrial estate symbolised ambitious plans the U.S.-owned company had for expanding its microchip business.

It was to be an important contributor to Ireland's effort to build a thriving electronics industry as an important plank in its industrial development.

Earlier this month Mostek's operations worldwide were shut down by its parent company, United Technologies, and its 417 Irish employees were laid off. They left a factory only a fraction of the size envisaged by the optimistic artist.

Mostek's closure is the latest in a series of setbacks for the Irish electronics industry.

Its fate is Mostek, once a bright star in the Irish Industrial Development Authority's (IDA) programme, a child of the republic's 13-year-old electronics industry as a whole? The industry boasts such names as Apple, Digital, Ericsson and Fujitsu.

The answer seems to be no, but

the IDA will have its work cut out to maintain healthy growth rates in the sector and achieve its goal of establishing – in the words of Mr Martin Lowery, IDA executive director – an indigenous, internationally-based electronics industry.

Mr Lowery and Mr Peter Lynch, Mostek's managing director, pointed out that Mostek's collapse did not stem from having a plant in Ireland. It fell largely because it was operating with a narrow product base in the shrinking semiconductor business and was hit by rising competition from Japan.

Looking on the bright side, Irish officials said that in its six years in Ireland, the company had ploughed £40m (£46.8m) into the local economy for the cost of about £5.5m in grants, most of which would be paid back under a contingent grant liability scheme.

However, Mostek had at one time planned to expand into microchip manufacturing in Dublin, employing up to 1,300 people, and its closure followed shutdowns earlier this year, with the loss of 500 jobs, of Abari and Storage Technologies Irish plants.

In a sector comprised of some 300

companies employing 22,000, or 11 per cent of the manufacturing workforce, and growing last year in output at about 20 per cent, such setbacks can be accommodated.

"But the IDA must pick the winners," said Mr Michael Pearce, chief executive of Menter, the Irish

electronics industrialists' association.

However, Pearce said, "If it can't come in electronics, where can it come?"

fundamental research and development carried out in Ireland will be very difficult as many companies will want to keep their product development home-based.

A handful of Irish companies has also sprung up, mainly aimed at small specialist markets. Lake Electronics, for example, makes telephone switches for small businesses, and KTS makes software for IBM.

For companies looking to expand or set up in Ireland, the incentives remain high. The IDA offers a reduced corporation tax rate of just 10 per cent with building and machinery costs also tax-deductible.

Grants are generous and training costs are often paid for wholly by the IDA. Under special legislation, banks can lend a limited amount to companies in return for dividends in lieu of interest with the dividends tax free. For foreign companies there is the added attraction of a skilled and relatively cheap workforce to go with the EEC gateway to big European markets.

Irish officials believe they can offer attractions as good or better than, for example, Scotland where the industry is older and about twice as big.

The main drawbacks are a limited domestic market and the less tangible worry that other European countries might put pressure on companies with a large market share on their soil but no factory presence.

The IDA acknowledges that growth in terms of job creation will slow down. Earlier targets of 25,000 people in the industry by this year and an ultimate target of 40,000 have been put quietly to one side.

The trouble is that pressure on the authority to create jobs is great in a country with more than 17 per cent unemployment and half its population under the age of 25.

This, and fears that the electronics industry may prove fragile and of more benefit to foreign companies than to the country, have prompted some economists to suggest an alternative strategy of long-term state investment in such industries as engineering and food processing.

The IDA insists it gives value for money, not least in the sector's contribution to Ireland's balance of payments. Electronics' exports totalled £2.5bn last year, 35 per cent of manufacturing exports. In the first eight months of this year, the figure reached £1.7bn, compared with £1.4bn in the same 1984 period.

Maintaining such growth is crucial. Mr Pearce said: "I'd hate to write off electronics as a growth industry in Ireland. If it can't come in electronics, where can it come?"

Colombia asks IMF not to send mission

BOGOTÁ – Colombia has asked the International Monetary Fund (IMF) to postpone a planned visit this week, saying conditions were not appropriate.

The request was made in a letter to Mr Jacques de Larosière, the IMF managing director, from Sr Hugo Palacio, the Finance Minister and Sr Francisco Ortega, the central bank governor.

An IMF mission, part of a quarterly monitoring of the Colombian economy agreed earlier this year, was expected in Bogotá today.

In the letter Sr Palacio and Sr Ortega said the IMF had been "fathless" in allowing the release of a memorandum on the Colombian economy written ahead of the scheduled visit.

They said the memorandum mentioned aspects of fiscal policy, the need to curb inflation and control the balance of payments current account deficit, that the Government had already corrected.

The document did not take into account September figures, they said.

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125,000,000	Issued and fully paid	4,125,000
82,500,000		

The Council of The Stock Exchange has admitted the whole of the issued share capital of Invent Energy Holdings p.l.c., formerly dealt in the Unlisted Securities Market, to the Official List. It is expected that dealings will commence on 31st October 1985.

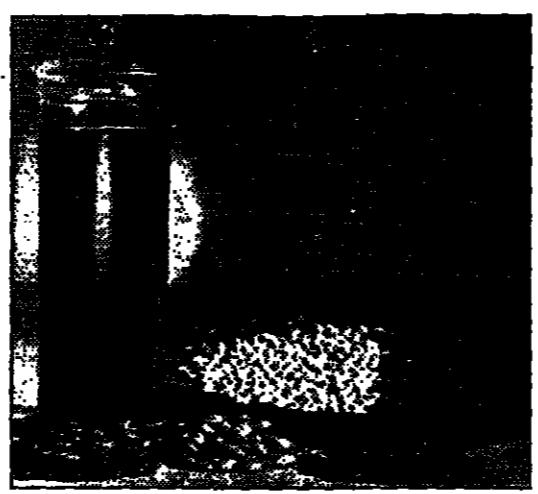
To reflect the importance of the Company's operations in France, which are conducted through its wholly owned subsidiary, Triton France SA, the name of the Company is to be changed to Triton Europe p.l.c.

Listing particulars relating to the Company are available in the Exel Statistical Services and copies of such particulars are also available during normal business hours on any weekday (excluding Saturday) up to and including 11th November, 1985 from:

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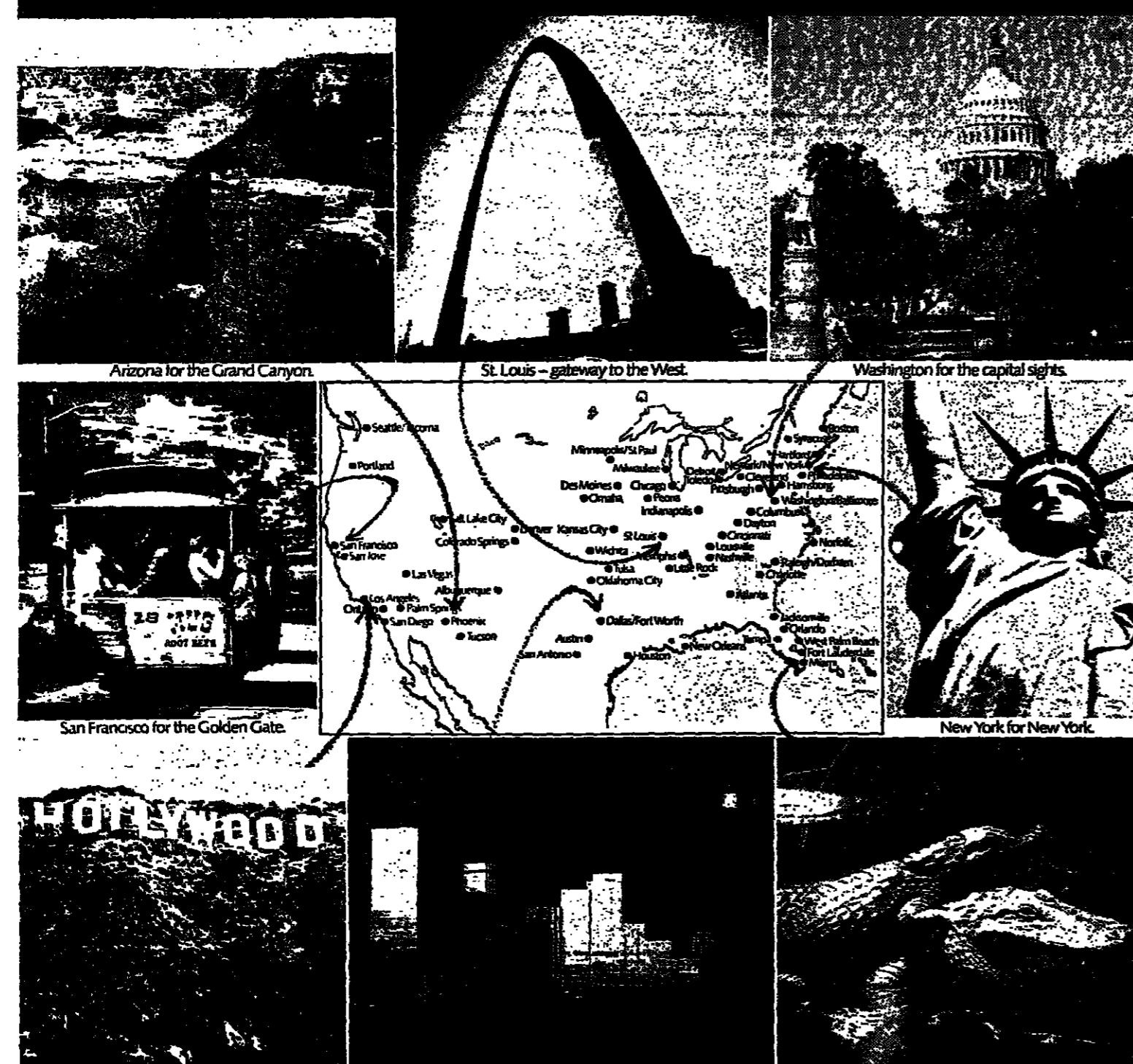
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Deep in the almost impenetrable rain forests of the Amazon, where only the most intrepid explorer dares to tread, there grows a vine called *Chondrodendron tomentosum*.

From this, the South American Indian tribes have for centuries produced a deadly arrow poison which we know as curare.

It was noted as long ago as 1541 when the Spanish explorer, Francisco de Orellana, lost a companion after an Indian shot him with a curare-tipped arrow. "The arrow did not penetrate half a finger, but, as it had poison on it, he gave up his soul to our Lord."

Luckily for most explorers, the main purpose for which the Indians chose their poison was for hunting animals. When "injected" by a curare-tipped arrow, their prey could still be eaten quite safely since the poison is not effective when taken by mouth.

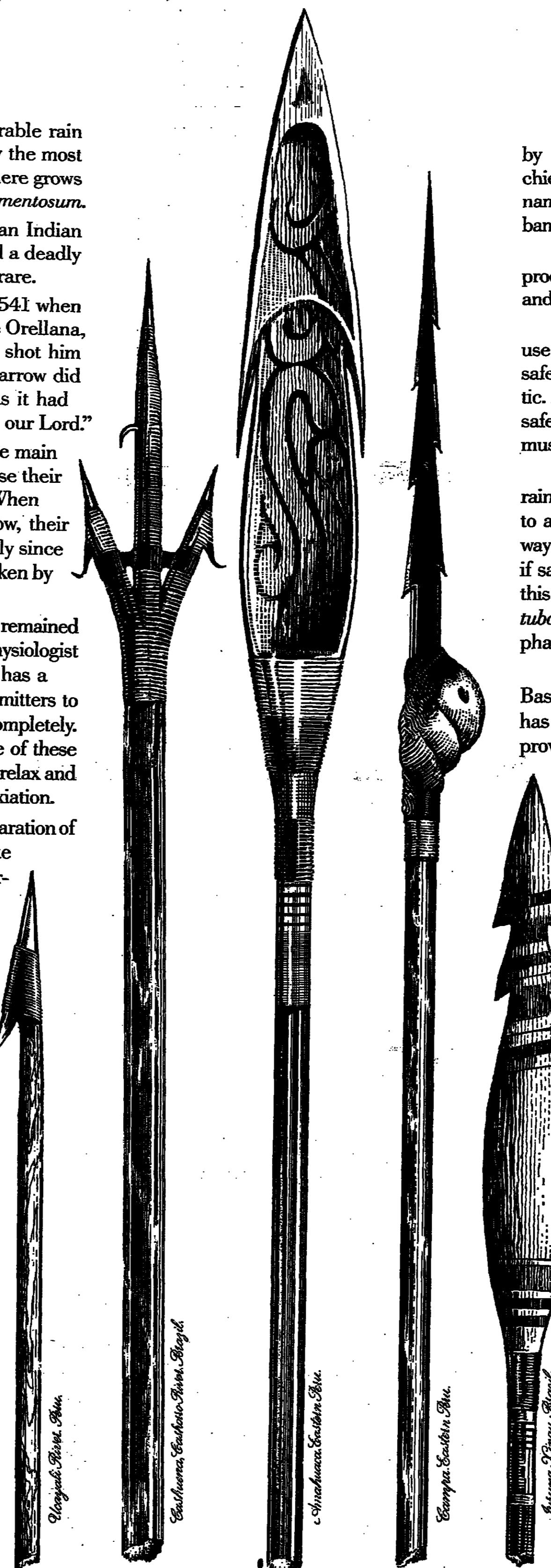
Exactly how this poison works remained a mystery until 1842, when the physiologist Claude Bernard discovered that it has a blocking action on the neuro-transmitters to the muscles, which then relax completely. For the unfortunate recipient of one of these arrows, the respiratory muscles also relax and death soon occurs through asphyxiation.

The secret process for the preparation of curare was not recorded in accurate detail until 1912, when Charles Waterton, a somewhat eccentric naturalist, set out with the avowed intention of obtaining a sample of this deadly poison.

He described how the Indians made curare and noted the inclusion of ants and two snakes, although it was obvious that the main ingredient was a vine.

He also reported an ingenious method of rating its potency. If a monkey hit by a poisoned dart was able to jump no further than the next tree before falling dead, it was "one-tree curare" and a very good brew. If the monkey made it as far as two or even three trees, then it was given the lower rating of "two" or "three-tree curare." (Much to the monkeys' relief, modern chemical methods of assaying curare are far more precise.)

It was not until the completion of experiments conducted by Waterton that curare was seriously considered for medical use.



This was finally made possible in 1935 by Dr. Harold King, when he isolated the chief paralysing ingredient of curare. He named it *tubocurarine* after the traditional bamboo tube which the poison was packed in.

This "chemical milestone" meant that the production of curare could be standardised and safely tested.

Eventually, this led to the revolutionary use of the drug in making anaesthesia much safer by permitting lower doses of anaesthetic. And it made abdominal surgery much safer and simpler by rendering the stomach muscles flaccid.

Today, the vine is still collected in the rain forests where the extract is boiled down to a dark, treacly resin. This then makes its way to Peru by mule and light aircraft and, if samples prove satisfactory, it is shipped to this country where the manufacture of *tubocurarine chloride* is carried out by the pharmaceutical industry.

But the industry has not stopped there. Based on experience with *tubocurarine*, it has developed some new muscle relaxants providing a comprehensive range for today's more advanced surgical techniques.

The modern-day use of these drugs in the operating theatre is the result of the combined efforts of botanists, physiologists, pharmacologists, South American Indians of yesterday, their descendants in Ecuador and Peru and, of course, the pharmaceutical industry.

It is through this kind of international co-operation that the British pharmaceutical industry is able to contribute to world health. And, in turn, to contribute to the financial health of this country.

The industry's exports in 1984 were worth over £1,200 million, giving a net balance of trade of some £680 million. (Projected exports for this year are £1,400 million.)

Were it not for the investment which this industry is able to make in research, these figures would not have been so impressive. And these arrows may never have fallen into the right hands.

If you would like to find out more about the British Pharmaceutical Industry, please write to: Dr. John Griffin, The ABPI, 12 Whitehall, London SW1A 2DY.



The Association of the British Pharmaceutical Industry

THE CHANNEL PROJECT

The French connection: runners and riders

By Andrew Taylor

APPLICATIONS FOR a licence to build a privately financed link across the English Channel must be lodged with the British and French governments by this Thursday unless there are some surprise late entries, it looks like being a four horse race.

Plans range from a twin bore rail tunnel, a road bridge with 5 km spans, and a road and rail scheme involving a contentious combination of bridges, tunnels and artificial islands mid-Channel. Tolls, say the promoters, will be in line with prevailing sea ferry charges.

The two governments hope to announce the winner by mid-January. First, applicants must show they have complied with a long list of official guidelines on financial, technical, environmental and safety matters.

They must show they have sufficient finance to complete a project which could cost more than £25bn, after allowing for inflation and interest charges, depending upon which option is chosen.

One option would be to choose nobody and let the whole thing lapse. This appears increasingly unlikely given the strong support from both British and French administrations which see a link as a potential vote catcher with crucial elections due shortly.

The financial markets, which have to raise the cash to pay for the project, are more cautious. Soundings taken in recent weeks suggest that sufficient banks and institutions are willing to attach their names to enabling two leading schemes to proceed. But commitments are only provisional.

The real work will come after January, when a winner is announced, and detailed funding negotiations begin. The project could still fail if money promised fails to materialise. So who, if anybody, is the City of London backing to win the race?

EUROROUTE: One of the two class runners in the competition. It proposes road bridges stretching 8.5km from the English coast, 7km from the French to artificial islands connected mid-Channel by a 21km road tunnel.

The island and bridge sections will be prefabricated on-shore at shipyards and steelworks in Britain and France. Positioning and final construction

will involve many of the techniques used in the development of North Sea oil fields.

The central core of each island will be a cylindrical concrete structure through which vehicles will spin 30° below sea level to a submerged tube tunnel embedded in a trench dredged in the sea floor.

Each island will have room for hotels and shops as well as a yachting marina—the question of whether duty free shops will be allowed on a link has still to be decided. A third island will be constructed midway to house ventilation ducts for the road tunnel.

Euroroute proposes a separate rail scheme involving a 38 km twin tracked immersed tube tunnel stretching from coast to coast. This will not be built until after the road scheme is completed.

Cost: The capital cost of the road scheme is £23.6bn at 1985 prices and £25.6bn for the rail tunnel. After allowing for inflation and interest charges the projected requirement for funds rises to £28.5bn and to £29.7bn if allowance is made for possible cost overruns, says Euroroute.

Promoters: An impressive list of British sponsors includes: Trafalgar House, British Telecom, Associated British Ports, GEC, British Steel, British Shipbuilders, Barclays Bank, Kleinwort Benson and John Howard construction company.

French members of Euroroute include Société Générale and Banque Paribas (both banks), Alsthom, the shipbuilding, heavy electrical machinery and railway equipment manufacturer, Compagnie Générale d'Électricité (CGE), which is closely involved with French nuclear and rail investment programmes and GTM-Entrepose, a major civil engineering group.

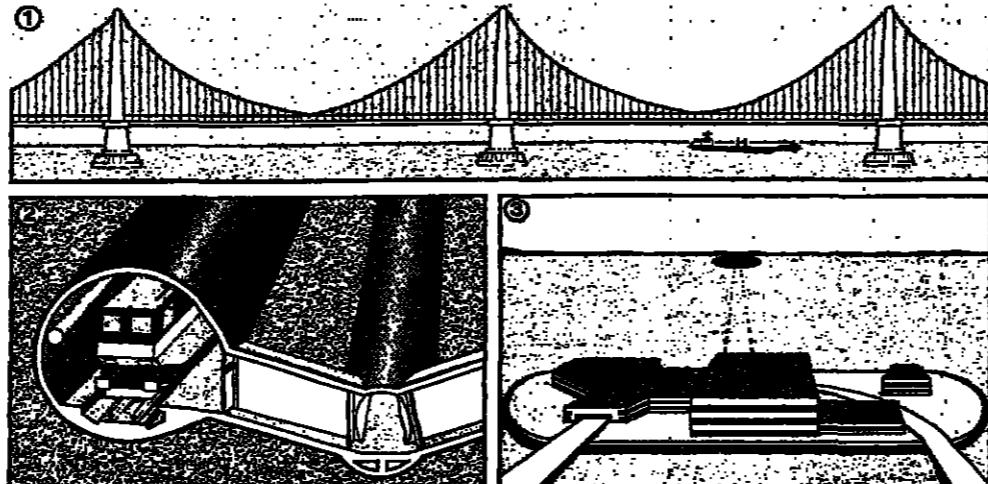
Advantages: A drive-across scheme has more popular appeal than a rail-only option. Moreover, a strong list of sponsors and a particularly persuasive British chairman in Sir Nigel Brookes, head of Trafalgar House, appears to have gained ground with Mrs Thatcher. Prefabrication of bridge and tunnel components means that extra jobs can be created in areas of high unemployment.

Disadvantages: More expensive than its nearest rival, the twin bore rail tunnel. Euroroute's more adventurous design and construction is less likely to appeal to conservative bankers and financial institutions, although the consortium says it received sufficient indications from financial markets that the money will be there to complete the project if it gets the go-ahead.

CHANNEL TUNNEL GROUP: Another front runner, it proposes twin rail tunnels, connected by a central service tunnel, bored at an average depth of 40 metres below the sea bed. Each of the main tunnels, 7.3m in diameter, 50km in length of which 37 km is under the sea, carries a single rail track on which will run a privately operated rail shuttle capable of handling 4,800 vehicles an hour in each direction.

The system is capable of handling trains leaving every five minutes with an average journey time of 30 mins, say the promoters. The tunnels will be powered by overhead electric cables fed from the national grid. Fresh air will be blown through the service gallery from

CROSSING THE CHANNEL: SOME OF THE OPTIONS



A road bridge, a rail tunnel and a combination of bridges, tunnels and mid-Channel islands: three of the schemes which the British and French Governments will consider.

employment like Scotland, north east England and northern France.

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ventilation plants at Dover and Sangatte.

Roll-on/roll-off rail terminals: At Fretin in northern France and at Cheriton, on 350 acres in south east Kent, will provide toll booths as well as British and French customs, health and immigration facilities to provide one-stop border controls. There will be high and low level platforms to service double-deck shuttle wagons.

Promoters: In Britain these include construction companies Balfour Beatty, Costain, Tarmac, Taylor Woodrow and Wimpey as well as National Westminster and Midland Banks.

Advantages: A road scheme with far greater capacity to cope with an increase in traffic than Euroroute's bridge and tunnel scheme.

Disadvantages: The cost and technology will displease financiers and politicians.

Channel Expressway: A fourth scheme promoted by Sea Containers, the Bermuda based shipping group, has only emerged in recent weeks. This is understood to involve twin tunnels housing two lane motorways and an electric train running on rails embedded in the hard shoulder to the road.

Promoters: CTG's three rivals all say it is the scheme most likely to succeed, after their own. Although still regarded with caution, CTG gets a better response from bankers than do its rivals. The technology of bored tunnel is regarded as safer and less likely to produce cost overruns than some of the other more ambitious schemes.

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Disadvantages: A rail link lacks the flexibility of a road scheme. Promoters will have to show that a rail ferry will provide a cost overrun.

faster more reliable and regular service than the sea ferries.

EUROBRIDGE: Proposes a 35 km road bridge with seven 5 km spans. The longest span so far constructed is about 14 km but Eurobridge says "far longer spans are possible by the revolutionary use of suspension cables made of paraffin". This is a composite fibre, developed by ICI/Dupont Fibres, which has the same strength as steel for slightly less than one-sixth the weight.

Motorways: will run on several levels, 70m above sea level, fully enclosed in a steel and concrete shell. In addition, Eurobridge plans a single track rail tunnel.

Cost: The road and rail project is estimated at just under £25bn at 1985 prices. This rise to around £28bn after allowing for inflation and interest.

Promoters: Eurobridge describes itself as a loose consortium of designers, consulting engineers, construction and financial interests. Names associated with the project include Brown & Root (UK), ICI Fibres, John Laing and the merchant bank Arbuthnot Latham.

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Frankfurt/Mon October 1985

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How good were the good old days?

The Victorians made a virtue of hard work, and they built well. Their drains (1) and bridges, town halls and railways testify to an age of remarkable enterprise and achievement. But they were also hard times. For many people (2), food was often scarce, and the workhouse never far away.

The young navvy (3), could not expect a life-span much over 40. Even in the large families of the well-to-do (4) many infants would never see a first birthday. Fortunately, other things were happening in the 1860s which would help remedy such conditions.

In the new field of organic chemistry, Phenacetin in 1888 and Aspirin in 1899 were just two of the results of early Bayer pharmaceutical research into the relief of pain and in the fight against sickness. For the farmer, the battle against plant disease and pests is never ending: selec-

tive weedkillers and pesticides have been its invaluable ally since the first synthetic insecticide came from the Bayer laboratories in 1892. Industry has gained an exciting new generation of materials. Polyurethanes, and high-performance plastics are light in weight, strong as steel, and proof

against corrosion, making possible new concepts of design and construction. Many problems remain, but the contribution made by chemical companies like Bayer has ensured that more people will live longer, and enjoy better health, in a lifestyle undreamt of in Victorian times.

For more information about Bayer and a colour print of this painting, please write to: Dept. A, Bayer UK Limited, Bayer House, Newbury, Berks. RG13 1JA.

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TECHNOLOGY

Genentech growth drug approved in the U.S.

A drug designed for the treatment of growth retarded children and created by biotechnology technology has been approved by the U.S. Food and Drug Administration.

The growth hormone is to be marketed by Genentech, the company which developed it, under the name Protopin. It is only the second human pharmaceutical to be manufactured by the advanced biotechnology technique known as recombinant DNA. The first recombinant human pharmaceutical, insulin, used in the treatment of diabetes, was also developed by Genentech.

Between 10,000 and 15,000 children in the U.S. suffer from growth hormone deficiency, according to the Human Growth Foundation.

Mr Robert A. Swanson, Genentech's chief executive officer, said: "Genentech's ability to produce literally limitless quantities of therapeutically useful proteins such as human growth hormone is a clear example of the major impact that biotechnology will have on health care in the years ahead."

He said that products would be used to treat heart attacks, haemophilia, cancer and other diseases.

Recombinant DNA technology involves the biochemical insertion of human genetic material into bacteria which function as miniature factories, producing large quantities of the protein for which the genetic material codes.

Protopin will be marketed by Genentech under the company's own label. Genentech believes it has thus become a fully fledged pharmaceutical company rather than a research and development organisation.

How digital optics help conjure fantasy pictures to dazzle the TV viewer

Alan Cane reports on a fledgling company which uses advanced video editing equipment to create dramatic visual illusions for television commercials

During the Apollo moon shots, broadcasters were careful to make it clear to their viewers when the images they were broadcasting came genuinely from space and when they were studio simulations. Nothing else would have helped the viewers to tell the true from the false.

Dramatic progress in the electronic manipulation of television images is making that kind of clarification increasingly important, not so much perhaps, because the quality of the image is certainly true) but because of the new speed and economy which digital optics has brought to the creative process.

"What used to take two to three days on film can now be carried out in a couple of hours on video," says Mr Steve Dann, joint managing director of Video Tape Recording (VTR), a new, specialist video editing service, which features some of the most advanced computerised electronics in the UK.

It is making its name for work on television commercials, an area which might seem to invite electronic abuse. But Mr Dann, while not complacent, is relaxed about the risks. "It is technically possible, but we are very well chaperoned by the

television and advertising regulatory bodies."

VTR started up only a few months ago with finance from the Bank of Boston, a tiny company with the giants of the video facilities company, like Molinair, a big video facilities company with a complete range of equipment for editing videotapes, or the Moving Picture Company, which has a high reputation for creating stunning special effects.

They all cluster together in the Soho area of London's West End, the Mecca of the video and film editing business.

What VTR lacks in size it is trying to make up for in quality, says Mr Bob Parsons, technical director, both used to work for Molinair. Mr Stone, the principal video editor, is reckoned to be among the top half dozen editors in Europe.

It is smartly decorated offices above a street inhabited by film people and advertising executives by day, drunks and dreges by night, houses almost as good as the most modern video editing equipment. Not the most expensive, believes Mr John Banks, accountant, business consultant and now Mr Dann's partner, but the best.

The answer, says Mr Joe Williamson, marketing manager for Ampex International,

are transferred to videotape, is equipped with a Rank Cintel Mark 111C Digiscan. Here the images are "graded", colour is adjusted to give the best hues, the atmosphere can be altered, the density improved and the sound added. This process alone can give startling results. A simple sequence shot at mid-day showing, say, the Houses of Parliament and the River Thames in London can be graded so it can appear to have been taken at any time from early morning to the middle of the night.

Video editors prefer to work from film in the first instance; chemical emulsion captures more information than today's magnetic videotape, giving a richer more detailed image that responds well to electronic manipulation.

The editing suite at VTR has been customised by Ampex, a U.S. company which invented the videotape recorder and has been successfully resisting Japanese incursions into its territory ever since.

The suite is equipped with five Ampex VPR 3 videotape machines, claimed to be the most advanced in the world.

Unsolicited testimonials from technicians are rare but Mr Arthur Johnson, of VTR believes he can squeeze more performance out of the VPR 3s than the manufacturer's specification.

The secret of these machines is the speed with

which they move several pounds of videotape across the recording heads—up to 500 inches a second.

The bonus for the technician is a new ease and speed of tape editing. The problem for Ampex was finding a safe mechanism to guide the tape and protect it during processing.

The ADO (it stands for Ampex Digital Optics) is now essential equipment for any company in the special effects business. "ADOing" a



Image makers: Mr Steve Dann (left) and Mr John Banks, joint managing directors of VTR, at the control console of their Ampex video editing equipment.

was vacuum capstans and air lubrication.

The machines run, in fact, on air. The tape is held to the transport capstans by a vacuum rather than the conventional pinch rollers while compressed air lubricates the tape and holds it in place during its tortuous path through the transport mechanism.

A small machine will set an editing studio back \$65,000; a large one \$100,000.

The suite is also kitted out with a Grass Valley 300 mixer, a Chrono caption generator and, most significant, an Ampex ADO machine for special effects.

The ADO (it stands for Ampex Digital Optics) is now essential equipment for any company in the special effects business.

"ADOing" a

sequence has become standard UK. From Quantel, but Mr Williamson believes it is easy to use and remarkably complete.

VTR, meanwhile, is making the most of what Ampex already has to offer. Its clients include North Eastern Gas (simply to turn the image of a price ticket around against a moving background can involve the ADO in lengthy calculations), BUPA and Midas Silencers.

Technically, its price exhibit is commercialised for a company marketing all-in-one nappies. The tape bounces around and talks to the baby complete with realistic shadows all added electronically.

"Creating an illusion which viewers believe in, even if they know it is simply an electronic special effect, is the real challenge," Mr Dann says.

Financial Times Monday October 28 1985

EDITED BY ALAN CANE

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Easy path to word processing

Easy is the name of a new word processing package from MicroPro International aimed specially at people who know nothing about using computers but want to learn word processing quickly.

The package, which makes its first appearance at the Computer Exhibition on November 10-12 at London's Olympia, has been designed so the user need learn only three function keys to be able to use all the software facilities.

It features pop-up menus, context sensitive help and prompts, and is available on the IBM PC and compatibles. It joins a range of packages which include the widely used WordStar. Easy will sell at \$165.

More from MicroPro on 01-873 1122.

Nursing aid on computer

ICL says nurses at Northampton District General Hospital have reacted enthusiastically to a recently introduced computerised nursing procedures system which holds information on basic surgical and medical procedures.

Staff tap the information through the ICL Distributed Resource System terminals installed in wards, via the company's Bulletin videotex system and its One Per Bed voice/data workstation.

Scant attention paid to customer

"I THINK what tends to happen — I think it happens in all businesses including our own — is that what you tend to do is think: 'Well, we can do this, let's get a product out'."

This answer was given by a supplier of automated banking equipment to BIM Research Partners, a marketing consultancy investigating just how far the design of self-service bank equipment takes account of what customers like and it seemed to sum up the entire survey.

BIM itself commented, albeit tongue-in-cheek: "Such elegant technical solutions appear to be readily accepted by system personnel in financial institutions

viewed for the study said they conducted a research among potential users prior to introducing new machines, although they experience very real benefits from doing so according to BIM.

Suppliers left all customers related issues to the banks.

"The services those machines actually provide are financial services. Now we are not financiers, so the services as far as the customer is concerned are very much the banks' prerogative."

Customer-operated Financial Technology Equipment, BIM Research Partners, 1985, 01-388 3191.

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GENERALI

CONSOLIDATED BALANCE SHEET 1984



The General Council of Assicurazioni Generali, presided over by Mr. Enrico Randone, Chairman of the Company, met to approve the Group Balance Sheet for the financial year 1984, as follows:

ASSETS (in thousands of U.S. \$) (*)	1984	1983
Building and farm property	1,760,705	1,592,177
Fixed interest bearing securities	4,215,960	3,587,731
Shares (including Associates)	529,615	457,830
Mortgage and policy loans	408,764	354,679
Deposits with Ceding Companies	269,130	216,509
Bank deposits	385,212	301,335
Accounts receivable and other assets	1,088,356	931,322
	8,657,742	7,441,583

LIABILITIES (in thousands of U.S. \$) (*)

Shareholders' surplus	944,775	824,076
Provisions for insurance liabilities	6,601,153	5,664,752
Reinsurance deposits	120,731	139,115
Other liabilities	877,394	742,437
Profit of the year	113,689	71,203
	8,657,742	7,441,583

(*) The Italian Lira figures of both 1984 and 1983 have been translated into US Dollars at the exchange rate of Dec. 31, 1984.

- This Balance Sheet consolidates 45 insurance companies operating in some forty markets, (including 6 European Assurance Companies), 16 Financial, 18 property and 3 agricultural companies where Generali directly or indirectly holds more than 50% of the shares.
- The year shows a profit of U.S. \$ 113.7 million (+15.7%).
- Gross premiums amount to U.S. \$ 3,132.1 million (+16.3%) distributed as follows:
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- Gross premiums amount to U.S. \$ 3,132.1 million (+16.3%) distributed as follows:
- Italy 10.1 20.9 31.0
- Other EEC Countries 13.0 27.7 40.7
- Rest of Europe 4.2 18.0 22.2
- Rest of the world 0.7 5.4 6.1
- Total 20.0 72.0 100.0
- Investment income amounts to U.S. \$ 707.3 million (+18.8%) and relates by 65.5% to fixed interest securities, by 16.4% to property, by 3.9% to shares, by 6.1% to bank deposits and by 8.1% to other investments.
- The shareholders' surplus amounts to U.S. \$ 944.8 million and 82.6% belongs to the Controlling Company, the minority interest being 11.4%.

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Sounding out the U.S. with an angel's horn

A WRY SENSE of humour shows itself as Herr Curt Engelhorn lifts aside some of the veil from the worldwide activities built around Boehringer Mannheim, the family owned West German pharmaceutical business.

From time to time, he says, he is asked how many people work for him, but he often sides with an exact answer by replying: "I hope about half of them."

A grin appears, too, as he dispels the mystery surrounding the origin of the company name Corange, which is cropping up increasingly in the group's affairs. If you look at this name closely, you realise it is the French translation of his family name (meaning angel's horn), a brainwave he credits to one of his senior executives.

Herr Engelhorn, who is 50, even displays good humour as he lifts a copy of a local newspaper with a banner headline implying that Boehringer is quitting the proud commercial

John Davies describes how Boehringer Mannheim is streamlining itself for expansion

and industrial city of Mannheim near Heidelberg, for the sunny sky here, of Bermuda. No true, he says.

What has just happened is that Herr Engelhorn and other family owners of the long-established group have brought various shareholdings together into a newly formed company called Corange Limited, based in Bermuda.

This will bring more clarity into the group's world-wide affairs, Herr Engelhorn says, and so will help prepare the ground for an ambitious drive to expand in the U.S. market. It will be easier, he suggests, to raise funds to finance acquisitions.



Curt Engelhorn: displays good humour

Sales in the U.S. last year amounted to \$243m, which is between 20 and 25 per cent of the consolidated world-wide sales of Boehringer Mannheim and its associated companies, totalling about DM 2.75bn (\$1.04bn).

West Germany is still the group's most important single market, but Herr Engelhorn believes the U.S. will become by far its biggest market in a few years.

At present Boehringer Mannheim's U.S. activities are basically in diagnostic materials and orthopaedic equipment. But Herr Engelhorn says it has "concrete plans to enter the pharmaceutical market there by 1989."

Boehringer Mannheim is one of the many family owned West German businesses which present a dazzling complexity to the outsider — and often to their own employees — once the veil is lifted just a little.

One possible confusion arises because Boehringer Mannheim has no connection with another, larger pharmaceutical company called Boehringer Ingelheim.

Boehringer Mannheim takes fifth place in the West German pharmaceutical market, behind Hoechst, Bayer, Boehringer Ingelhorn and the Swiss-based Ciba-Geigy. It puts strong emphasis on research, including work in biotechnology.

One of its best-known products is Euglucon for diabetics — developed with Hoechst. Unfortunately for both companies, however, the patent rights ran out in 1983 and they were obliged to cut the price drastically as other similar products came onto the market.

In order to avoid confusion with Boehringer Ingelheim, the name Corange may also come a little more to the fore, he says. One way or another, it looks like the angel's horn will be trummeting a little louder in the U.S. in future.

various companies in the group. As a step towards streamlining, a holding company called Corange AG was set up in Switzerland several years ago. The structure has become ever more complex as the shareholdings have been more tightly concentrated into Corange Limited, the holding company.

Herr Engelhorn sees no "dramatic" tax advantages from the decision and says that Boehringer Mannheim will continue to be a useful source of revenue for the tax authorities in both Bonn and Mannheim.

Until now, Herr Engelhorn has been chief executive of the Mannheim-based core company in the group, but with the restructuring he has handed this job to Dr Karl Maiwald. One of the positions Herr Engelhorn holds now is that of chief executive of the Bermuda umbrella company.

Worldwide, Herr Engelhorn says, the group has about 12,000 people working for it, though he adds, that this figure does not include those in Zaire.

Herr Engelhorn sees the Bermuda step as opening up a "new chapter" in the history of Boehringer Mannheim, which traces its origins back more than 125 years.

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OVERSEAS NEWS

Frank Kane reports on a foreign takeover bid for a Japanese group

Raid on Minebea breaks with convention

"I SHOULD point out that, while it is our preference to acquire control of Minebea through negotiations and with board support, we are quite determined to acquire control, and to this end we are prepared to proceed with a formal takeover bid if necessary."

Restrained to the point of blandness, this was how Mr Charles Knapp concluded the offer document which last Friday made corporate history as the first attempt by a foreigner to acquire a Japanese company.

The offer, valued at \$1.4bn by Mr Knapp, is unusual in just about every conceivable way. Hostile takeovers are unheard of in Japan, even between indigenous companies. The Japanese word for acquisition also means "bribery" and the word for takeover doubles for "hi-jack."

The target, Minebea, is Japan's largest manufacturer of precision ball bearings, but has a reputation something of an odd-ball within the country, it is regarded as one of the more Westernised of companies, is not part of one of the existing corporate groupings and is believed to lack the institutional support so effective in protecting Japanese companies from overseas takeovers.

If the target caused some oriental eyebrows to be raised, the bidders' names brought one universal response — who?

The offer document was issued by the partnership comprising of Trafalgar Holdings, a Los Angeles based finance and investment company, and Glen International, a financial services group with offices in London. Both are the creation of aggressive businessmen who have in the past had their fair share of controversy.

Mr Charles Knapp, the 51-year-old head of Trafalgar, is best known as former head of Financial Corporation of America, the large U.S. savings

and loan which came close to collapse last year. Mr Knapp was forced to resign his control of the company by the U.S. regulatory authorities.

His new financial empire was created around Trafalgar Holdings and stayed within the same business sphere — real estate, securities, leveraged buy-outs and the like. Mr Knapp has a reputation for a buccaneering style and a willingness to take risks.

Mr Terry Ramsden of Glen International met him a couple of years ago through mutual friends, and immediately recognised a soulmate. Mr Ramsden, by his own account, has devoted 10 of his 33 years to an in-depth analysis of the Japanese corporate sector, and he is supremely self-confident about his acumen in the field.

He used to work for Heddlewick Sterling Grumbar, the London stockbroker that went out of business several years ago.

The two men have put together an offer of some complexity, which their critics say is an attempt to hoodwink shareholders but which they regard as evidence of their care for preparation.

Their attack concentrates on Minebea's track record of going for growth via the purchase of other companies, which has been mainly financed by the issue of shares with convertible warrants. This, incidentally, is how the Trafalgar-Glen stake was built up. Mr Ramsden saw the warrants' potential and acquired them in the market at a knock-down price, amassing a 25 per cent holding which he then passed on to Mr Knapp for an undisclosed sum.

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and loan which came close to collapse last year. Mr Knapp was forced to resign his control of the company by the U.S. regulatory authorities.

His new financial empire was created around Trafalgar Holdings and stayed within the same business sphere — real estate, securities, leveraged buy-outs and the like. Mr Knapp has a reputation for a buccaneering style and a willingness to take risks.

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THE MANAGEMENT PAGE

IAN HOWIE, chairman of Merrydown, Britain's fourth largest cider maker, is a contrary man. Still active in the company in which he was co-founder despite being well past 65, Howie gleefully tells how in 1946 when he started to sell cider he priced it at 4s 3d (21p) a 75 cl bottle whereas Bulmer, the major competitor sold its draught product at 1s 10d (9p) a quart.

The product sold well. "People thought at that price it must be good," says Howie. Asked if the pricing policy was the product of some major marketing strategy he quips: "The potential of the product was totally unknown and we wanted to get some of our investment back quickly."

Similarly in 1956 when the then Chancellor imposed a duty on Exchequer shopped a duty on cider at 15 per cent proof Howie made his cider stronger, whereas Showering the Somerset maker of Babycham at which the duty was aimed, reduced its strength. "We decided that if we diluted the product we would simply be a tiddler among the big boys and there would be no premium for quality," he explains.

This approach was one of the factors behind the emergence of Sussex-based Merrydown as a producer of premium-priced bottled ciders and associated products such as the more exotic Elderflower Wine. With pre-tax profits topping £1.2m in the year to March 31 1985 (up from £997,000 the year before) and around 3 per cent of the UK cider market in its grasp the business still has a family-run atmosphere, with investors—it went public on the Unlisted Securities Market in 1981—perceived more as the extended family than anonymous providers of cash.

There is also still a feeling within the company that, after many lean years, it cannot believe the success of the past five or six. The still slim management team is acutely aware that it needs to deepen its expertise and widen the product range; one possibility is health products. The company already manufactures a small range based on its cider vinegar.

Merrydown was set up after the Second World War by Ian Howie and his friend the late Jack Ward, now the company's president. Both were amateur wine makers and took their basic recipes from Peggy Hutchinson's "Home Made Wine Secrets". Sales developed slowly but took off in the early 1950s with profits growing to £16,000 in 1955-56.

However, Howie's brave attempt to carve a special niche in the top end of the market was undermined by the Govern-



Ian Howie: needing to branch out further

Glyn Genin

Why Merrydown remains wary

Lisa Wood on the UK cider maker's outlook

ment's duty increase in 1956; turnover dropped by two thirds and profits disappeared.

Then followed 20 years of struggle. There was minimal profitability and the company decided the cider market and replaced its major product, Vintage Cider, with apple wine.

A host of new products and services was also introduced including mead, cider vinegar and contract bottling.

It was Dennis Healey's first 1975 Budget that transformed the company's future. He increased British wine duty by 103 per cent. In the face of what it saw as an inevitable decline in its apple wine sales Merrydown decided to re-enter the cider market, and introduced a product of less than 8 per cent proof at the premium end of the bottled market. It sold it to five pubs on June 1, 1975.

The re-introduction of vintage cider coincided with a boom in the popularity of cider generally and sales soared. Annual volume growth of the company reached 20 per cent in the early 1980s.

However, the expansion strained the company's finances. So in 1976, using powers earlier been hit in the past two years by further increased duty on the product.

"I am apprehensive about

taking up by ICFC and the Trustee Corporation. This started a somewhat long drawn-out approach to the market culminating in its joining the USM in 1981.

In 1982, Merrydown's stock was the best performer on the USM, with a 910 per cent increase. This resulted largely from a stock market re-assessment of its share price and a background of ever increasing fashionability, a good apple harvest and the company achieving a huge leap in profits.

Since then, Merrydown, which has determinedly kept out of the intensely competitive keg and own-label markets, has gone from strength to strength, despite intense competition from imported Normandy bottled ciders. Money raised by a heavily discounted rights issue in 1983 has been ploughed back into new machinery and equipment leading to an improvement in profit margins.

"We are currently in the other which the company is currently seeking to grow. In addition it has started to import its own Calvados from France, a growing sector of the spirits market directly related to cider.

"Getting the finances right" has been a major constraint, says Howie. But now these are resolved we can really progress."

making an acquisition," says Howie. "We have digested a substantial period of expansion in the past five years and that puts a strain on management. The difficulty is finding the right business."

Merrydown, however, does have an existing arm to its main cider business which the board admits has not been fully exploited. In the mid-1980s Howie read an American doctor's book on Folk Remedies in which cider vinegar in a mix with honey, called Honogar, was extolled as being the ultimate cure-all.

He secured the rights to market the product and today sales of the book and the special cider vinegar and honey mix are small but steady, particularly in Scandinavia. Howie, who admits to taking a teaspoonful of the mix in a glass of water every morning, says: "We are not exploiting this market because since 1976 we have had to concentrate on the cider."

Similarly the company has taken up a new marketing job in the business with sectors such as the health market very firmly on its target list. Sales in the past, he says, were disappointing mainly because of poor distribution but the company is now forming direct links with supermarkets and health food shops under the Market Label.

3M's diversified products face the same difficulties. 3M currently has a 30 per cent share of the market for a carpet-based product. His investigations have unearthed a wealth of claims about the vegetable. "We are only just scratching the market," says Howie.

Merrydown is also UK agent for Mariacron Brandy and Chantre Brandy Cream Liqueur, both brand leaders in their respective West German markets.

In addition in 1984 Merrydown became sole UK agent for the Beauroy range of Vins de Table.

This importing business is another which the company is currently seeking to grow. In addition it has started to import its own Calvados from France, a growing sector of the spirits market directly related to cider.

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Training

The video route to 'excellence'

BY CHRISTOPHER LORENZ



Disney World—"obsessive attention paid to quality and service"

MOST companies frown on employees who break the rules. But 3M positively encourages it research and development staff to spend 15 per cent of their time on non-authorized projects.

The Minnesota mammoth, best-known for its "Scotch" range of tape and other products, has built a widely diversified \$17bn-plus business on what can only be called institutionalized lawlessness. Its chairman and chief executive, Lewis Lehr, is a self-confessed rule-breaker, or "bootlegger." So as 3M prefers to sell it. So are many of his senior colleagues.

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advice. The Leonard family reacts, and prospers.

The film shows a classic example of Leonard's technique: the doubling of his store's fish sales by the simple device of adding a fish counter, offering personal service, yet selling exactly the same fresh fish as the packaged counter across the aisle. The idea originated when a customer complained that the packaged fish just didn't look fresh.

For companies in any sort of business, the lesson of Stew Leonard's success is that "customer perception is reality," Waterman told the MCE conference. "Too many companies, especially in engineering, think they know better than the customer." At excellent companies such as IBM, by contrast, "everyone is tied into marketing."

Commenting on the episode which opens the film—the obsessive attention which is paid to quality and customer service

Disney World—Waterman said the same approach was used at excellent companies in entirely different fields. IBM had always set itself the target of being "the best service company in the world," while Frito-Lay (a subsidiary of Pepsi Cola which makes potato crisps and pretzels), calls on all its customers once a day—even "mail & pop" stores. Its overheads are high, but its sales and market share are a stronomic.

Waterman accepts criticism in Europe that his book over-emphasised some of what he calls the "hooch" of employees' motivation and customer service in American companies. The important thing, he emphasises, behind the hoop-la.

Significantly one of the most telling sequences in the U.S. version of the film has been judged unsuitable for consumption in Europe. Tom Mehlin, the owner of an engineering jobbing shop in Oakland, California, is shown in his characteristically revivalist style conducting the "super-person" ceremony to reward employees for improving quality and productivity. But an interview where he cries with emotion at his commitment to his workforce has been cut.

"Available on video or film for rental or purchase, with accompanying user's guide, from Melrose Film Productions, 8-12 Old Queen Street, London SW1H 9HP. Tel 01-222 1744. Telex 917944."

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UK NEWS

Ian Rodger assesses the impact of the tin crisis

Dented image in the can market

THE COLLAPSE of the tin market last week may be bad news to producers and exposed traders, but the prospect of significantly lower tin prices will be welcomed warmly by the main consumers of the metal.

They have watched with frustration in recent years as the producers' support for tin prices has made it more difficult for them to sell their tin-based products. Tin consumption in the non-communist world has fallen from 174,000 tonnes in 1970 to 153,000 tonnes last year.

The largest tin consumer by far is the steel industry, which uses the metal as a coating for sheet which is then formed into food and beverage tins and other containers for consumer products. In 1984, tinplate accounted for 35 per cent of tin consumption.

Tinplate has been fighting a losing battle against other materials in the packaging market in recent years. The most striking example is that of beverage cans in the U.S. In 1972, 80 per cent of beverage cans in the U.S. were made of tinplate. Today, almost all beer cans and 87 per cent of soft drink cans are made of aluminium. In that period, U.S. con-

sumption of tinplate fell from 4.5m tonnes to under 2m tonnes.

It would be wrong to suggest that this reversal has been due entirely to the relatively high price of tin. The increasing pressure for recycling has favoured aluminium, as did the development of thin wall can technology. When a thin tinplate was developed to compete with aluminium can sheet, it used significantly less tin.

Tin consumption in tinplate has fallen by about 15 per cent in the past five years, according to a study by the London Metals Research Unit of Shearson Lehman Brothers. The importance of price emerges in the experience in Western Europe where tinplate has been much more successful so far at holding off aluminium's advance in the beverage can market. About 90 per cent of beverage cans in West Germany

are still made of tinplate.

Aluminium producers grumble that this is because European steel prices have been unrealistically weak, thanks to government subsidies. These subsidies will no longer be allowed after this year, so tinplate producers will be grateful for any reduction in tin prices that might offset any upward trend in their steel prices.

The British Steel Corporation, for example, uses 4,000 tonnes of tin a year in its three tinplate works in Wales where it makes a total of about 935,000 tonnes of tinplate a year. BSC officials suspect that when trading in tin resumes, the price will be somewhere in the vicinity of £7,000 a tonne, compared with the £9,140 three month price at which trading was suspended on the London Metal Exchange (LME).

These investments have helped to raise Cornish tin production from some 3,300 tonnes of metal in concentrates in 1978 to over 5,000 tonnes last year.

The trouble is that this expansion has been carried out while the International Tin Council has been supporting prices at above the free market level. Moreover, in the last two years, the weakness of sterling has helped the Cornish mines against rivals in South East Asia and elsewhere.

There is every chance now that the tin price, which was suspended at £9,140 a tonne on the London Metal Exchange on Thursday, could fall for below the break-even levels of the Cornish mines. With a break-even point of about £9,300 a tonne, Geevor is already being squeezed, according to the company's own figures. RTZ, with a mine break-even point of between £7,500 and £8,000 a tonne, has a little more breathing space. But even that will be little consolation if prices now fall by the £2,000 a tonne that metal traders believe is possible.

last Thursday. This would mean a direct saving to BSC of about £5 per tonne of tinplate made.

The other main use of tin is in solders, which are used in a wide range of industrial applications in electronics, packaging and automobile manufacturing. Unlike tinplate, solder is a growth market for tin, particularly in Japan which has a strong electronics industry. Solder now account for about 30 per cent of world consumption of tin, excluding the Comecon countries.

The British company Cookson (formerly Lead Industries) is a world leader in solders, and a significant maker of other alloys and compounds using tin, such as pewter and paint additives. The company uses about 10,000 tonnes a year of tin, and operates its own secondary smelter.

Mr Fergus Munro, Cookson's finance director, said margins on the output of the group's secondary smelter would be harmed by the anticipated decline in the price of tin, but this would be more than offset by the increased demand and margins it expected on its tin products.

Mr Munro said that Cookson, like other large consumers, maintained significant stocks of tin.

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Upheaval threatens Cornish mines

THE FUTURE of the Cornish tin mining industry has been put at risk by the crisis in the international tin market, Stefan Wagstyl writes.

The threat of a collapse in world tin prices has put into jeopardy a steady recovery in mine production in the 1980s, in which the natural resources group Rio Tinto-Zinc has played a crucial role.

There is no danger of immediate closure at any of the three largest tin mines in Cornwall, or of imminent redundancies among the 1,500 people employed in the industry. The threat rather is that a long period of weak tin prices would once again plunge the industry into declining investment, falling output and rising unemployment which has characterised it for much of this century.

Mr Brian Calver, managing director of RTZ's tin mines, said: "If the price falls dramatically still further it could cause me considerable alarm. It would be disastrous for the Cornish industry."

Mr Ken Gilbert, managing director of Geevor Tin Mine, the only



remaining independent Cornish re-mining company (in which RTZ has a 19.4 per cent stake), said that while the industry could survive a short-lived upheaval in the market a sustained fall in prices would be "disastrous".

The current resurgence in the Cornish mining industry dates back to 1979 when RTZ bought the

Consolidated Goldfields and re-opened it a year later. It has since re-opened Wheal Maid, Wheal Jane's much smaller sister and is now refurbishing the South Crofty mine, near Redruth, where it bought control last year. RTZ's investments in Cornish tin mining have totalled some £25m. Geevor has been spending over £1m a year modernising its mine near St Just.

MANESMANN

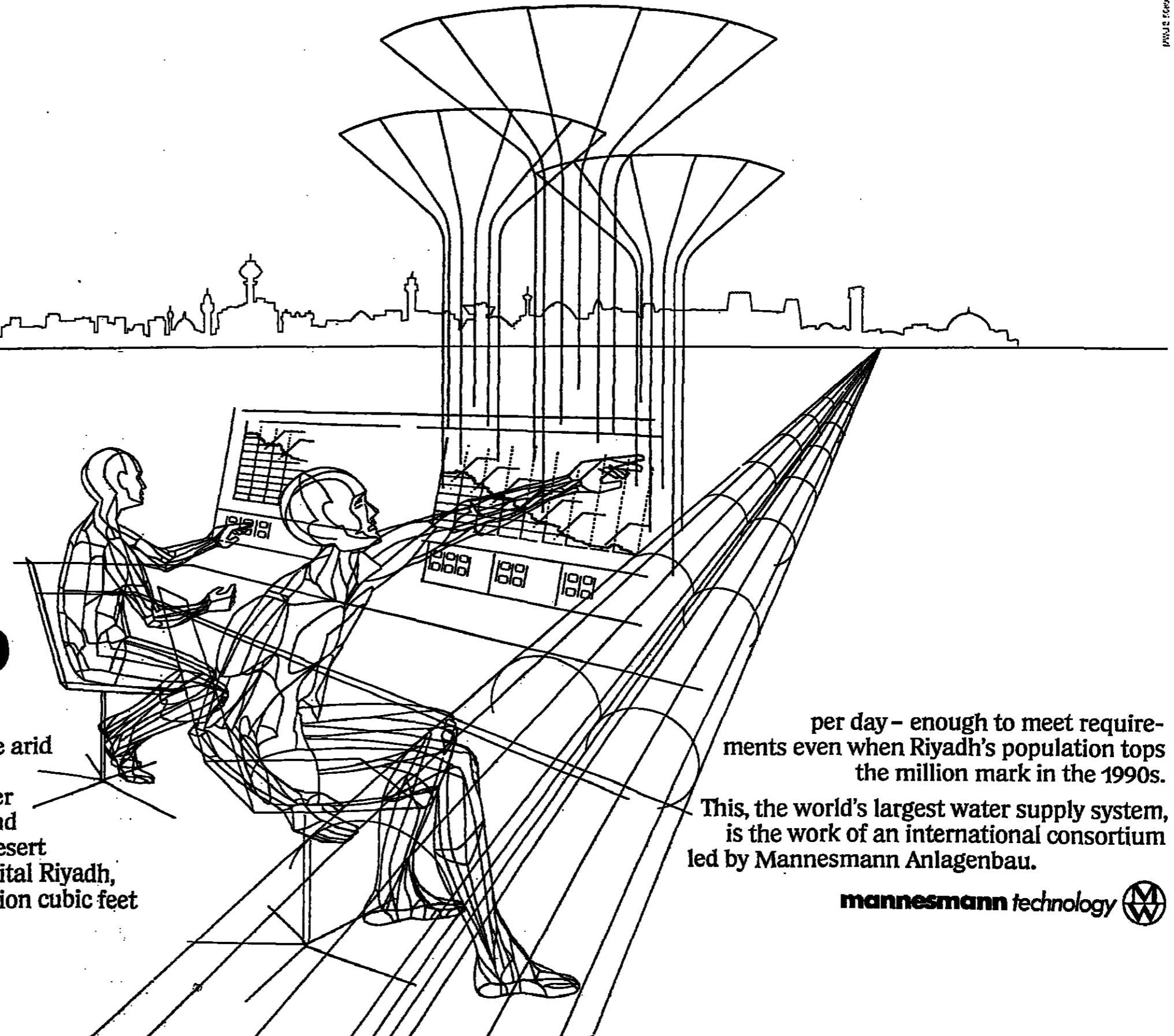
Water for Riyadh
Aqueduct 2000

Tapping the oceans to provide an inexhaustible source of water for the arid regions of the Earth is not the fanciful idea it sounds. In Saudi Arabia sea-water from the Gulf is desalinated, purified and sent on a 290-mile journey across the desert, through a huge twin pipeline to the capital Riyadh, 2,300 feet above sea level. Up to 30 million cubic feet

per day – enough to meet requirements even when Riyadh's population tops the million mark in the 1990s.

This, the world's largest water supply system, is the work of an international consortium led by Mannesmann Anlagenbau.

mannesmann technology 



UK NEWS

Minister forced to defer social security reform

BY ROBIN PAULEY AND ERIC SHORT

THE WORSENING crisis over the future of Britain's £40bn social security budget, exacerbated by controversial demands from the Treasury for a freeze in child benefit until 1989, has forced Mr Norman Fowler, Social Services Secretary, to postpone publication of a White Paper (policy document) detailing reform.

The extent of the Government's problems became clear in weekend interviews by both Mr Fowler and Mr Tony Newton, Social Security Minister. Yesterday afternoon thousands of protesters in London marched in a Trades Union Congress (TUC) rally against the proposed changes which were described by Mr Norman Willis, TUC general secretary, as "a charade" whose primary purpose was cuts.

The White Paper was due to be published soon after November 8, but this plan has been abandoned and Mr Fowler, speaking in a BBC radio interview, would say only that it was "a fairly safe bet" to say the announcement would be made before Christmas.

One cause of delay is the difficulties Mr Fowler is facing in the so-called Star Chamber of ministers

which is examining bids for extra public spending in 1986-87 and beyond. He is seeking extra resources for the National Health Service, extra funds for social security to pay for the higher than predicted number of unemployed and a withdrawal of Treasury demands for £500m savings in the housing benefit which have infuriated backbench Tory MPs.

Mr Fowler appears to have secured at least a partial victory over housing benefit, but the price may be to cut in the child benefit budget. He is resisting strongly demands for a freeze, but indications of defeat surfaced for the first time when Mr Newton said yesterday that while child benefit was secure as a universal benefit, the Government had to try to balance the amount which went to all mothers against the amount which should be allocated to low income families through proposed new family credits.

Child benefit goes up to £7 a week per child next month, a rise of 2.2 per cent instead of the 7 per cent rise to £7.30 which would have been required to update the benefit in line with other benefits and in

Pit union's left urges Scargill to moderate

By John Lloyd, Industrial Editor

MR ARTHUR SCARGILL, president of the National Union of Mineworkers (NUM), will today come under the strongest pressure he has experienced since the end of the coal strike in March to moderate his policies and style - from members of the dominant left group in the NUM executive.

He can expect a challenge in two forums - the NUM's national executive committee, which meets this morning, and at a special delegate conference, called to discuss the miners' strike, still sacked during or after the strike.

The executive leaders are concerned that Mr Scargill has not done enough to ensure that the union's £2m funds, now in the hands of sequestrators, are returned to NUM control. Mr Scargill has refused to recognise the full authority of the court-appointed receiver.

They also believe that his attitude to the breakaway Union of Democratic Mineworkers (UDM) will have to change in order to prevent a high loss of membership to the UDM.

There is also concern over the outcome of the pay talks between the breakaway leaders and the National Coal Board. The NUM's policy of refusing to conclude area or pit level incentive agreements is seen as one which could also lead to a further loss of members to the UDM.

Mr Scargill and Mr Ian MacGregor, the NCB chairman, clashed yesterday over an offer which Mr Scargill said had been made to the NUM. Mr MacGregor accused Mr Scargill of "not telling the truth," while Mr Scargill responded by saying that the NCB chairman was "speaking through that plastic bag again."

The scheme is thus widely regarded by European airlines outside the UK as a genuine compromise, an attempt to get some consensus on the introduction of con-

IATA MEETS ON EUROPEAN FARES' STRUCTURE

Airlines to consider four-year trials of 'extra cheap' tickets

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

PLANS FOR a wider spread of cheaper air fares in Western Europe may be carried a stage further this week.

Member-airlines of the International Air Transport Association meeting in Hamburg will be asked to approve a scheme for lower fares that has already been accepted by the association's own governing executive committee, and by the independent Association of European Airlines (most of whose members

are in the Iata anyway).

It does not come anywhere near the UK Government's own pioneer efforts over recent years to get more liberalisation and cheaper fares through its bilateral agreements with such countries as the Netherlands, Belgium, Luxembourg, West Germany and to a lesser extent, France.

British Airways also expressed its dissatisfaction, although it did not go so far as BCal in quitting the Brussels meeting. Nevertheless, BA is known to feel just as strongly as BCal, and would prefer to see the UK Government's more aggressive methods of bilateral negotiations pursued throughout Europe.

Mr Michael Spicer, UK Aviation Minister who has spearheaded the British drive for cheaper fares over the past two years, is in no doubt about the situation. "We certainly don't think these AEA/Iata fares proposals go anywhere near far enough in the direction we want to go - which is much cheaper fares and increased liberalisation in Western Europe.

We have two lines of action. We can and will continue our individual bilateral discussions with European governments, even if they take a

long time, confident that in the end our arguments will prevail.

Secondly, we will work in the EEC to ensure that we eventually meet the demands of those seeking more radical solutions to the problems of high fares and insufficient liberalisation.

We believe strongly that more competition and cheaper fares mean more business for all the European airlines - the agreements we have got so far in Europe prove the point, and we intend to hammer it home. We believe that the AEA with its latest proposals is out of touch with the trend of events.

Mr Spicer adds that the increased competition and the bid for cheaper fares is not coming just from the UK, but from other airlines outside Europe, and especially from the US. Sooner

Other criticisms have been just as harsh. Europa, an independent European aviation watchdog body, has declared that the AEA/Iata proposals represent "a strained attempt to stubbornly maintain the status quo by papering over the cracks" in the current European airline structure.

Europa argues that the fares proposals are "more or less what exists already", with some of the existing advanced purchase excursion fares available close to the proposed "reference fares" for the discount and deep discount zones.

Some part of this row may wash over the Iata meeting in Hamburg. But in any event, behind the fares scheme lie the seeds of an even potentially wider schism in European air transport - just how far airlines in the AEA/Iata lobby are prepared to go to ensure that the EEC's competition rules are not as rigidly applied to air transport as the Commission itself would like to see.

Chocolate makers bite into EEC rules

By Richard Mooney

BRITAIN'S chocolate manufacturers are worried that changes in EEC rules might force them to adopt the "Euro-taste" of their continental competitors or find new names for their products.

Two sets of rules on chocolate manufacture are applied in the EEC. In the original six member states the term "chocolate" can only be used for products in which cocoa butter is the only fat used.

However, in Britain, Ireland and Denmark up to 5 per cent of other vegetable fats allow.

The EEC Commission wants to promote free trade in chocolate products within the Community and has proposed that the less stringent rules in Britain, Ireland and Denmark should be applied in all member states.

However, the proposal has been opposed by some members, notably France and West Germany, and is being blocked in the European Parliament.

At the annual lunch of the Cocoa, Chocolate and Confectionery Alliance (CCCA) in London at the weekend Mr David Cramb, the CCCA president, said opposition was at government level.

He said the continental confectionery trade favoured less stringent regulation of chocolate ingredients.

Continental governments are in favour of free trade in chocolate but they want it to be achieved by the EEC-wide adoption of their own code, outwitting non-cocoa fats. This would involve British manufacturers in adjusting the recipes, and therefore the tastes, of their products, or sticking to the same recipes and renaming the products.

A West German suggestion for a new name for British-style chocolate translates as "fat glazing" while the Belgians have suggested "cocoa fantasy." Another idea, reputedly from France, is to call it "vegolate."

The proposal to adopt the British rules throughout the EEC has been attacked by cocoa producing countries, who fear that it would result in a reduction in demand for their cocoa.

Mr Cramb said that Britain's high level of chocolate sales compared with the rest of Europe indicated that a substantial rise in European sales could be expected if the British recipe was accepted. This rise should be enough to compensate for the lower proportion of cocoa butter involved, he said.

The preferred substitute for cocoa butter was shea nut oil, which comes mostly from backward areas of West Africa, the world's main cocoa-producing region.

British chocolate sales totalled 427,475 tonnes last year, up from 351,760 tonnes in 1980, according to CCCA figures.

Townsend takes on Belgian ferry partner

BY ANDREW FISHER, SHIPPING CORRESPONDENT

TOWNSEND THORESEN, the UK cross-Channel ferry company, will link up next year with the state-owned Belgian operator, Regie voor Maritiem Transport (RMT), which is switching its allegiance from Sealink UK, its present partner.

Townsend said it would co-ordinate services with RMT on routes between England and Belgium. From January 1, 1986, RMT's ferry and jetfoil fleet, now marketed under the Sealink banner, will sail under Townsend colours.

Sailing schedules will be incorporated into the 1986 brochure of Townsend, a subsidiary of European Ferries which is shortly expected to announce orders worth some £70m for two or three new ferries.

The routes covered in the new agreement will be Dover to Ostend and Zeebrugge and Felizhouze to Zeebrugge. The UK and Belgian

companies recently decided to re-deploy their ships on existing routes to improve their utilisation.

Townsend said it was switching routes among routes to France, Belgium and Northern Ireland next spring to cope mainly with rising freight volumes. Both companies are also investing in their fleets. Apart from the proposed new ships, Townsend is spending some £30m on enlarging four ships.

RMT, spending around £15m on enlarging three of its vessels, did not say why it was switching to the Townsend Thoresen banner. But the size of recent losses is believed to have influenced its decision.

• Dover, the busiest ferry port in Europe, is to start work earlier than planned on some of the developments aimed at increasing passenger and freight facilities and likely to cost £75m in the next five years. Total spending this year will be around £15m.

Union power holds up in face of job cuts and recession

BY PHILIP BASSETT, LABOUR CORRESPONDENT

COMPANIES now have marginally more shop stewards (factory union leaders) than they did before the start of the recession, according to a forthcoming survey of workplace industrial relations in Britain.

This, and other findings of the survey by Dr Eric Batstone of Nuffield College, Oxford and others, confounds a number of ingrained preconceptions about the state of British industrial relations and suggests that the recession has had a much smaller impact than has been claimed.

The study of 1,000 shop stewards from a range of industries and covering both clerical and manual unions, is the first of its kind since the onset of the recession and is likely to be seen by both management and unions as an important indicator of industrial relations practice, thinking and climate.

The survey looks specifically at how unions have responded to the impact of new technology, but prefaces this with more general industrial relations findings. Among them are:

• Shop stewards. The total number of stewards, especially senior and full-time stewards, has fallen less rapidly than employment in manufacturing, resulting in equivalent size establishments having more now than they had five years ago.

• Decision-making. In many areas of the economy, but particularly in engineering (production and maintenance), food and drink, electrical engineering and chemicals, key union decisions on major agreements reached with their employer are still taken at mass meetings, with ballots dominant - and sometimes then only marginally - in white-collar areas, especially finance.

• Local leadership. In white-collar areas stewards are seen to be leading their members, but the opposite

is claimed in production and maintenance groups.

• Union influence. While sizeable minorities believe that their unions' influence has declined over the last five years, very few believe unions have little or no influence at all.

• Strikes. The majority of private sector companies experienced no strikes in the 12 months before the survey was taken in October last year, but Dr Batstone describes the rise in public-sector strikes in the survey period as "astronomical".

The survey looks at the first five years of the present Conservative Government, noting that in many areas - food and drink and engineering, for example - employment is now up to half what it was at the start of the survey period.

Normally read, such job losses are supposed to have given considerable power to management. Dr Batstone's survey is more sceptical. It finds, for instance, that despite the Government's ideological drive against it, there is little management opposition to the closed shop (compulsory union membership) where it exists.

While closed shop coverage varies considerably - from 88 per cent of chemical plants with a complete closed shop to 41 per cent of engineering establishments with no closed shop at all - there is little real change from the late 1970s.

Variety of coverage extends as well to management style. While relatively few stewards would go so far as to claim that management have become less tough there is a roughly even division between those who think it has toughened up (most notably, 83 per cent in British Telecom) to those, such as in electrical engineering (56 per cent) and the printing industry (46 per cent) who claim to see no change.

Perhaps linked to this is the survey's evidence on the continuing role of the shop steward. Portrayals of stewards as circumvented, even marginalised, look on this evidence as though they may be confined to such well-known examples as BIL.

Since the number of stewards - ordinary, senior and full-time - has declined less rapidly than jobs in their plants, there are proportionately slightly more of them now. In maintenance engineering, for instance, 20 per cent of all establishments still have two or more full-time stewards; in production chemicals, 24 per cent.

What clearly has changed is the pattern of strike action. Dr Batstone confirms that strikes have all but died out in the majority of establishments, though even so there were strikes in about a third of all manufacturing companies.

In the finance sector - nearly a third of the sample had undergone a strike of some kind in the previous year, and in white-collar groups in the public sector the rate is even higher: more than four in every five.

Union Structure and Strategy in the Face of Technical Change, by Eric Batstone and Stephen Gowing, with Hugo Lewis and Roy Moore. Blackwell, Oxford.

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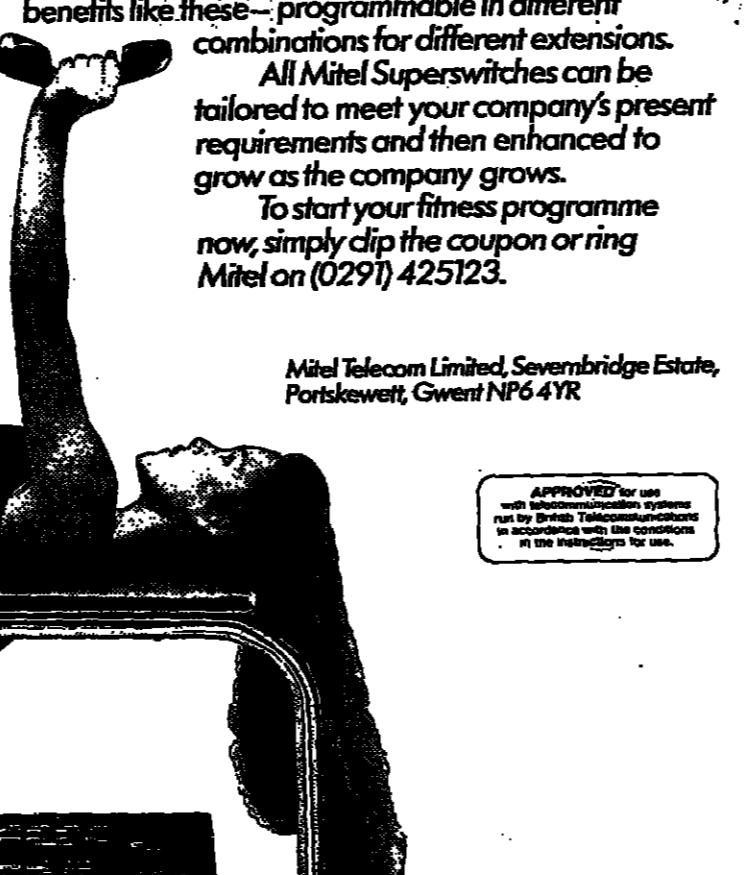
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THE ARTS

Architecture
Colin Amery

The post-modernistic house that Jencks built

Charles Jencks, architect and historian, designed his London house as a built version of his theses. In the architectural fraternity Mr Jencks is known as a critic who encouraged a definition of the architectural style that followed the modern movement; referred to as post-modernism, it has always been a critical puzzle, a fragment of a movement that lacks more than a nominal leader. But Jencks has, in his architecture and his extensive writings, made the most convincing case for the new movement. The house in London is the apotheosis of his thinking, and its extraordinary achievement is apparent in a little book he has produced (*Symbolic Architecture* by Charles Jencks, Academy Editions, £25).

Imagine a conventional 1840s end-of-terrace house set in a leafy, west London street. These houses were built when there was a shared language of building, a kind of debased classicism that was easily understood by builders, clients and architects. Jencks is anxious to return to this sort of architecture, an architecture that through its symbolism reflects the common purpose of mankind. He has an inborn habit of inventing jargon and categorising everything; he talks a lot about "the web of signification," an underlying pattern of meanings that is shared by all civilised people. The trouble is that if a man from the moon, or even from Middlesbrough, was taken into the latest Jencks house he would not have the faintest idea what was going on.

In fact, it is not all that complicated. First it is important to understand that the exercise is about adding meaning to the house. The old house was completely converted with the help of several architects: rooms were added, staircases were moved and the whole place turned into a demonstration of theory.

The house has several themes. Jencks asks the important question: "What is there in this agnostic age to symbolise beyond the perennial themes of comfort and fashion?" He decided to illustrate perennial themes of time, both cosmic and everyday, so the house has rooms and spaces that represent the seasons and the solar system, and attempts to replicate cosmic geometry.

At the front door you are greeted by a stylised face and an abstract representation of the human body. Inside, the door is the first space, the cosmic oval, a small room with mirrored doors which are surrounded by a William Stok mural of 12 "paragons of open-mindedness." These include the Emperor Hadrian, Erasmus and Thomas Jefferson in conversation with Hannah Arendt. The pretension of this beginning is undoubtedly that the owner/architect dismally says it is there to show that we can only pretend to know what we are not.

The most striking rooms on the upper floors are the architectural library and the main bedroom. In the library the shelving units are themselves the shapes of the architectural periods of the books. A most beautiful swooping roof gable adds a moment of exhilaration.

The Winter Room has as its focal point a fireplace designed by Michael Graves. The colours are sombre and a figurative bust of Hephaestus, spirit of winter, looks from high above the fire at the solid Jencks-designed furniture.

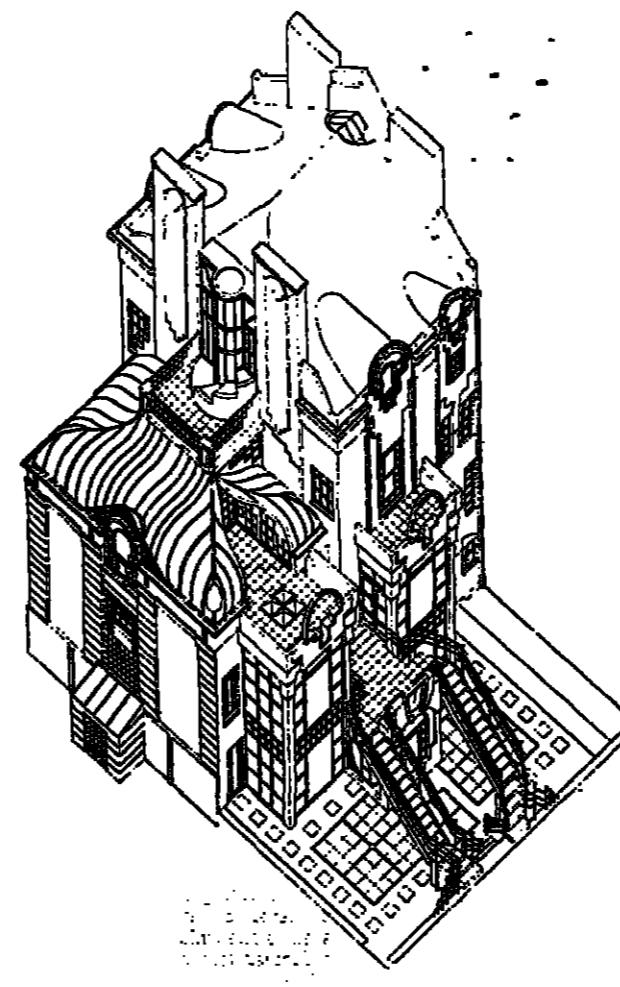
Spring has a different air.

The bust of Hephaestus

can be seen in a display of his symbolic furniture (at Aram Designs, 3 Keen Street, Covent Garden, WC1, from November 1 to 22), much of which was designed for this house.

Like all private houses designed by architects for their own use this one is in its way, obsessive. It sometimes fails right over the top aesthetically and like all post-modernism has yet to relate into recognition of proportion and a sense of proportion often the best paths to perfection. But what is important is that Jencks has built a bridge between the troubled recent past and the future, and although it is a crowded bridge and we may have to squeeze past too many symbols, it often seems right and meaningful. Now that Mr Jencks is going to practise as a designer in London he deserves the opportunity to design houses for others. That will be the real test of the application of a symbolic programme. How many of his clients will have such fertile imaginations?

Line-drawing view of symbolic obsessiveness



Endellion Quartet/Elizabeth Hall

Paul Driver

The audience was not unduly large for the Endellion String Quartet's concert at the Queen Elizabeth Hall on Friday, but one felt as one can with London audiences that every member of it was interested in following the bar-to-bar unfolding of each piece of music. Quiet and concentration reigned, and were rewarded by some fine displays of the chamber art. The opening item, Britten's remarkable and still unfamiliar *Three Divertimenti* (1938), saw the young players at their peak of power, inventing the quite complex but airy sonorous discourse with such dicing virtuosity and confident insight that it seemed to float feather-like above the platform, unconnected with its material origins in bow, resin and string.

These three movements are no mere arabesques: they have a huge, contained force and add up to what is virtually a

quartet proper. They each reveal that combination of almost opportunistic idiom and fine, for it what violinists feel for Max Bruch's first concerto. The first movement brought plenty of exposure for the group's excellent viola player, Garfield Jackson, and his fine old English instrument, made by John Lott. The Largo Sustenato third movement was searching, tender, and rapt.

For the concert's second half the quartet bravely attempted Beethoven's Opus 130 and used the *Gross Fugue* finale instead of the composer's authorised one. Few groups are equal to the avant-garde waywardness of this masterpiece or have the stamina to make a convincing structural case of the super-added fugue. The Endellion's account, though insufficiently tough-minded from place to place, survived well and gave great promise of future ripening.

Command or Promise/Cottesloe

Martin Hoyle

After *Roc Dervil*, exhilatingly glimpsed on the London fringe last year, its sequel, *True Dark Kiss*, presented as part of the Cottesloe's festival of new plays, three weeks ago, seemed self-conscious and over-calculated. The first play in the trilogy that chronicles the bumpy ride into adulthood and fulfilment of four football-loving Salford girls is however, a treat. The author, Debbie Horsfield, is back on form: true, funny, gutsy and touching — just as the girls, when we last see them, are back on the terraces belting out "Che sera sera."

It has been a rough ride. Punk Beth has urged her boy-

friend to the Falklands only to attempt suicide when he returns blinded. Hairdresser Nita achieves furs, a Capri, anoxia and victimisation in a protection racket that includes murder, before freeing herself from David Cardy's beautifully flashy little Casanova of the pine colada set.

Compact and trim, Alice gets her divorce and, in Sally Jane Jackson's perfectly judged performance develops from silliness to confident self-realisation ("I've been bored for years; I called it content").

Only student Phil's affair with her tutor remains somewhat unfocused despite Stella Gonet's impassioned playing,

quick to enthusiasm, anger and disillusionment. And I still find in *Mise Horsfeld's* satire on tedium the slightly heavy-handed touch of a TV comedy.

Against the cheerful abstract splurges of Alison Chitty's set, John Burgess's production whizzes along. Scenes are cross-cut or played simultaneously.

Marvellous ensemble playing from all: Lesley Sharp's Beth convinces the foul-mouthed tearaway, Tara Shaw as a Thatchite but vulnerable young businesswoman. Both are complex and contradictory, all develop and change through the course of the play. Only a few more performances to be enjoyed.

La Traviata/Sadler's Wells

Richard Fairman

The opera season at Sadler's Wells continues with Verdi's *La Traviata*. This production, an elegant and generally handsome affair, was well received when it was new and will run alongside Sadler's Wells' operetta counterparts during the next month.

Its revival is, as yet, stiff at the joints. This was a first night of obvious nervousness, all eyes from the foul-mouthed tearaway, Tara Shaw as a Thatchite but vulnerable young businesswoman. Both are complex and contradictory, all develop and change through the course of the play. Only a few more performances to be enjoyed.

Alfredo's father she does not yet react naturally enough. But then Donald Maxwell's Germont père is an unusually pompous

figure, who does not even wish to promise to the future.

None of them is likely to deliver more than Elizabeth Collier's Violetta. Fragile, dark-haired, fatally attractive, she is a wholly plausible Dame, heroine, who bubbles over with new responses to the opera from her wilfulness in the first scene to the hearty slap of the high with which she launched into the first act cabaret.

Clever words would help there and more voice at the big moments.

In the long scene with

Alfredo's father she does not yet react naturally enough. But then Donald Maxwell's Germont père is an unusually pompous

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Clever words would help there and more voice at the big moments.

Otherwise the score is well treated. We do, indeed, get more of it than usual, including both verses of Violetta's first act aria and the baritone's second act cabaret. Barry Wordsworth directs it all with skill, tempo and light rhythms, but not many of those traditional moments of rubato that let the singers mould their line with expression.

Mahagonny/Wexford

Max Loppert

The main operatic programme of the 34th Wexford Festival is attractive — well chosen and interestingly varied. Two Italian operas — Handel's *Ariodante*, and Cavaradossi's *La Wally* — fit neatly into established Wexford categories (more of them in a second piece). The third offering is *The Rise and Fall of the City of Mahagonny*, and it has burst with special force on a land where the Weill-Brecht collaborations have been relatively little explored and on a festival mainly devoted in the past to what Brecht called "carnival" opera. In fact, for both the newcomer to the work and also its longstanding admirer alike, Wexford offers a revelatory experience.

The good things about this performance, and they are many, start with the intimate size of the Theatre Royal (whose limits many more conventionally scored works have tended to abuse), and with the exceptional compactness, accuracy, and fidelity to both book and score of the production devised by Artur Abraham.

The simplicity of economic action and design, seems to have been established in Declan Donnellan's staging and Nick Ormerod's sets and costumes. Nothing is in excess, nothing goes to waste (a single swaying lampshade tracing the course of the hurricane is a particularly memorable example of the chosen style).

And no axe is gained: *Mahagonny* is a complex fable of human greed, human weakness, and its many-layered depths, made shallow when didacts or autoprop purveyors, however well-intended, lay hands on it. That doesn't happen here. The treatment is late 20th-century in dress and behaviour, observed with a razor wit (whored, Russel, patrons in black tie, and jury-members give the audience particularly sharp prods). But that only reinforces the universality of the work's themes, and its continuing "relevance."

Through the Leaves/Bush

B. A. Young

Martha owns and runs, single-handed but never on the stage, a butcher's shop specialising in offal. This evidently gives her a modest but secure living, and from it she derives a solid sense of freedom. Only in her relations with her lover Otto is there a hint of a problem. Otto is a graduate of the New York Met *Mahagonny*, Sherry Zannetti makes her European debut as Jenny. Her voice is warmly vibrant, perhaps at times too much so, but the combination of hard and soft, of clear-eyed honesty and rueful sophistication, is brilliantly caught. Altogether, I thought this a superbly considered achievement, the most rounded and balanced *Mahagonny* I've yet seen; in the Wexford annals it will come, I have no doubt, to assume a special importance.

Saleroom/Anthony Thorne

Enamelled debauchery

King Farouk of Egypt had a well-deserved reputation for decadence and he was an enthusiastic collector of erotic pictures. Christie's has one of the three versions of "Coming of age in the olden time" by Frith, along with a number of other erotic pictures. Sotheby's ended its auction on a high note by selling in Sydney, Australia, a view of that city painted in 1866 by Eugene von Guerard for £57,000, or £338,164, the second highest price ever paid for an Australian painting. A view of Sydney painted more than 60 years previously by William Westall sold for £160,000.

Another milestone completed was the 10 session sale of the British collection of coins, which began in July 1982. In total more than £55m was brought in for the executors of Virgil Brand's wife, who inherited a large part of this famous collection: Brand himself died 60 years ago. The top price from the coins was the £95,012 paid in 1983 by an Arab sheik of AD 66-70.

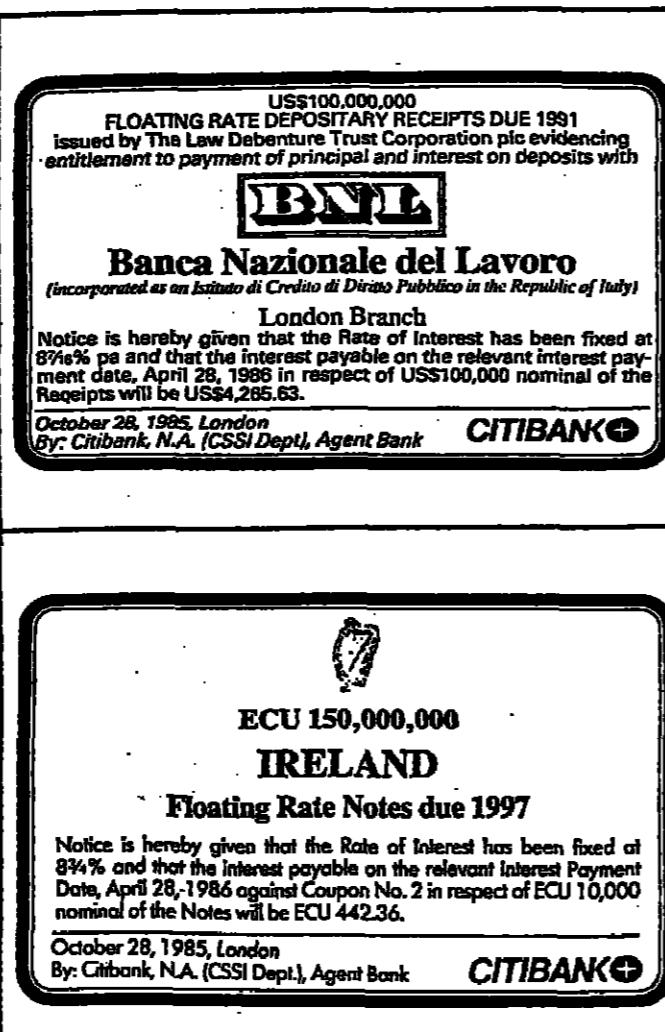
Touring 'Tosca' in Scotland

Scottish Opera Go Round, the touring company of Scottish Opera, is taking a version of Puccini's *Tosca*, with a cast of six, on a tour of 21 towns and villages throughout Scotland. Sponsored by the Scottish Postal Board, the tour begins on Thursday October 31 and will last eight weeks.

Gwen John

exhibition extended

The Gwen John exhibition at the Barbican Art Gallery has been extended for one week, and will now finish on November 10.



Arts Guide Oct 25-31

Music

PARIS

Chantal Stéphane, piano; Bach, Beethoven, Scarlatti, Ravel (Mon); Salle Gaveau (563 2630).

JAPAN

Japan Philharmonic Orchestra, conducted by Kimitoshi Kobayashi, Ikuo Kaneyama, piano; Yuzo Tsumura-Matsuura, Mozart, Tchaikovsky (Mon) TMR-Cantabile (233 0000).

LONDON

Yvonne Strahovski, Dvorak and Brahms; Queen Elizabeth Hall (Mon); Salle Gaveau (563 0001).

CZECHOSLOVAKIA

Christoph Eschenbach and Jozef Fanta; piano; Schubert, Mozart and Brahms; Queen Elizabeth Hall (Tue).

ITALY

Milano: Teatro alla Scala: Praga Philharmonic Choir, Dvorak, with the soprano Magdalena Layla Miller, conducted by Zdenek Košler (Wed and Thur); Lincoln Center (761 2244).

NETHERLANDS

Amsterdam: Stadhuis: Prague Philharmonic Choir, Dvorak, with the soprano Magdalena Layla Miller, conducted by Zdenek Košler (Wed and Thur); Lincoln Center (761 2244).

TOKYO

Tokyo Philharmonic Orchestra, violin, Fujisawa, Bruch, Mahler, Tokyo Bunka Kaikan (Mon); (256 9600, 456 3273).

Staatskapelle Dresden, conducted by Herbert Blomstedt; piano: Michael Pletnev; Beethoven, Bruckner (Thur).

Palais des Beaux Arts: Orquesta de Camera Espagnola, with Victor Marin, violin; Sociedad Liceo; Orquesta, Martinez (Mon); National

Opera Symphony Orchestra, conducted by Sylvain Cambreling, with Montserrat Caballe, Semiramide by Rossini (Tue); Rafael Orozco, piano; Schubert, Albéniz, Chopin (Wed).

NEW YORK

New York Philharmonic (Avery Fisher Hall); Riccardo Chailly conducting, Andre Watts, piano; Bussetti, Beethoven, Prokofiev (Tue); Riccardo Chailly conducting, Yuzo Horikoshi, piano; Strauss, Mendelssohn, Beethoven (Thur). Lincoln Center (674 2244).

WASHINGTON

National Symphony (Concert Hall); Rafael Frühbeck de Burgos conducting, with Elizabeth Lehman soprano, Marta Sera mezzo-soprano, and Choral Arts Society of Washington, directed by Norman Scriber. All-Mahler programme (Thur). Kennedy Center (761 5110).

CHICAGO

Orchestra Hall: Munich Philharmonic, Lorin Maazel conducting; Weber, Hindemith, Brahms (Wed); Chicago Symphony, Klaus Tennstedt conducting; Kyung Wha Chung, violin; Beethoven, Bruckner (Thur).

TOKYO

Tokyo Philharmonic Orchestra, violin, Fujisawa, Bruch, Mahler, Tokyo Bunka Kaikan (Mon); (256 9600, 456 3273).

Staatskapelle Dresden, conducted by Herbert Blomstedt; piano: Michael Pletnev; Beethoven, Bruckner (Thur).

Palais des Beaux Arts: Orquesta de Camera Espagnola, with Victor Marin, violin; Sociedad Liceo; Orquesta, Martinez (Mon); National

Opera Symphony Orchestra, conducted by Sylvain Cambreling, with Montserrat Caballe, Semiramide by Rossini (Tue); Rafael Orozco, piano; Schubert, Albéniz, Chopin (Wed).

PARIS

New York Philharmonic (Avery Fisher Hall); Riccardo Chailly conducting, Andre Watts, piano; Bussetti, Beethoven, Prokofiev (Tue); Riccardo Chailly conducting, Yuzo Horikoshi, piano; Strauss, Mendelssohn, Beethoven (Thur). Lincoln Center (674 2244).

WASHINGTON

National Symphony (Concert Hall); Rafael Frühbeck de Burgos conducting, with Elizabeth Lehman soprano, Marta Sera mezzo-soprano, and Choral Arts Society of Washington, directed by Norman Scriber. All-Mahler programme (Thur). Kennedy Center (761 5110).

CHICAGO

Orchestra Hall: Munich Philharmonic, Lorin Maazel conducting; Weber, Hindemith, Brahms (Wed); Chicago Symphony, Klaus Tennstedt conducting; Kyung Wha Chung, violin; Beethoven, Bruckner (Thur).

TOKYO

Tokyo Philharmonic Orchestra, violin, Fujisawa, Bruch, Mahler, Tokyo Bunka Kaikan (Mon); (256 9600, 456

THE original theory behind the European Community was that economic integration was a collective necessity and would deliver collective benefits to all the member states: experience would create the appetite for more. During an early phase, this theory seemed to work; but the stagnation of the past decade has proved it seriously deficient.

In June, it enjoyed a short emotional revival, when seven member states decided to launch a new Inter-Governmental Conference (IGC) to revise the Rome Treaty and propel the Community at top speed towards the millennium. Four months later, most integrationist enthusiasm has evaporated, and the IGC is heading for a very uncertain outcome. It seems the theory flops again. Why?

It may be that the founding fathers over-estimated the locomotive force of collective and mutual self-interest. In particular, they may have under-rated (because it was contrary to their political leadership) the need for political leadership.

It was contrary to their philosophy, because the idea of leadership implies one or more leaders: this was meant to be a collective enterprise. In practice, leadership has always been critical, and it has mainly been provided by France, sometimes for good, sometimes for ill. And it is arguable that the real reason for the stagnation of the Community is the profound and historic conflict between Britain and France over this question of the future development of Europe will hang on the evolution of attitudes in the two countries towards each other.

The distinction, between objective and subjective factors, is of course quite artificial: the one interacts with the other. But to focus exclusively on calculations of collective interests is to risk under-estimating the mood factor. And I just wonder whether, behind the nationalistic facades, we may not be witnessing a subtle but significant evolution of Franco-British attitudes.

Under the objective rubric, there is a plethora of factors, internal and external, political and economic, technological and military, which ought to be pushing the Ten down the integrationist road. But these objective pressures elicit a robust reaffirmation of the European enterprise? No. Last week's meeting of the ten foreign ministers seems to have ruled out any commitment, however hypocritical, to a Europe without frontiers; and the French contemptuously lashed the Italians for wasting everybody's time with wild, quasi-federalist proposals for strengthening the European Parliament. It is still too early to predict

Foreign Affairs

Why we need an entente un peu plus cordiale

By Ian Davidson

how far they will get by the next Euro-summit in five weeks' time. A modest, uninspiring but worthwhile start has been scuttled down its Euro-rhetoric.

The question is prompted in part by a three-day Franco-British seminar on defence issues, hosted by the government-sponsored Franco-British Council in Lyon, which I attended a week ago. For the main surprise, to me, was the amiability of our debates.

After de Gaulle took France out of Nato in 1966, defence issues became a taboo subject, too hot to be discussed.

I was talking the other day to a British bureaucrat about the IGC, and he was deplored the unrealistic Euro-idealism of the Benelux countries. "In the

next few years, they must know that they will have to settle for whatever France is prepared to settle for."

France's decisive role, for good or ill

end, they must know that they will have to settle for whatever France is prepared to settle for.

France's decisive role in the European enterprise, for good or ill, has been obvious from the very beginning. For just as long as it has been contested by the British, who frequently toyed with the idea of alternative alliances to out-manoeuvre the French: with Germany, with the Benelux countries, with Italy.

If France's pivotal position is now accepted as a fact of life, that suggests a significant evolution in British attitudes.

The French chairman, an Atlanticist if ever there was

one, was visibly shaken; he had never, he said, been addressed in such terms. This same drama was again played out a year later, at an Anglo-French defence seminar: the British accused the French of being bad allies, the French accused the British of being bad Europeans. The case for more Anglo-French, and more European, security co-operation is unanswerable, but the option seemed to be foreclosed by psychological hang-ups, and by French obsession with the Paris-Bonn axis.

Last week's meeting was very different. In place of recriminations, there was an evident desire to emphasise common interests and overlapping policies. One Briton remarked that, despite different rhetorical postures, the real nuclear weapons policies of the two countries were rather close. The French generally seemed anxious to stress alliance solidarity over national independence and one argued forcefully that the new Force de Deterrence was expressly designed to enable France to fulfil its Nato obligations.

It may be that the lifting of the taboo began to recede after President Mitterrand instituted defence talks with Germany. The Germans responded with enthusiasm, but an important by-product was that France's neighbours and allies began to voice the resentments that they had bitten back for the previous 15 years.

Two years ago, I was at another seminar on Europe; when the subject of defence came up, the French were attacked by the Germans and the Dutch, among others. In sum, they said: "Your policy of national independence is all very well; but if the balloon goes up, where will your army be in Germany or in France?" The French chairman, an Atlanticist if ever there was

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Perhaps longer time-scales are at work as well. Gallifex was moved in reaction to the abject humiliation of the oil collapse of 1980: Britain's war experience prompted an opposite but equally contradictory posture—military integration in Europe, but political and economic isolation. The new generations now acquiring influence in their 40s may feel less need to compensate for something which happened before they were born.

The European idea has a lot further to go in Britain than in France, but I feel that the mid-life elite in Britain is much more European than its predecessors. Just as important, their French counterparts are beginning to know it.

Conversely, the French are having to recognise that there

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Terry Byland on
Wall Street

Strength returns to giants

THE performance on Wall Street stock markets of the large U.S. conglomerate companies underlines the shift in the investment status of these former giants of the American scene. The past two months has seen a continuing slide in stock prices in many of the major names with Amfac, Lear Siegler, Litton, and Rockwell, all featuring in the list of losers.

But a wider view, measuring the conglomerates against the rest of the market for the year, indicates that there have been some surprising successes.

A check list of 17 of the largest companies usually classed as conglomerates in view of the range of their manufacturing and other interests, shows a gain of 15.8 per cent in stock prices since January 1, compared with 12 per cent for the Dow Jones industrial average.

This wide variation in performance between the short and the medium-term is repeated in terms of particular stocks. Some, like Gulf & Western with a 50 per cent plus jump in the stock price this year, have comfortably outperformed, while others like United Technologies are well behind the rest of the market.

Conglomerate stocks are no longer traded as a sector but are increasingly influenced by speculative prospects for earnings, together with takeover or expansion moves by individual companies.

Stock in Litton Industries has weakened significantly since the board first warned that Wall Street earnings estimates were far too high. But the damage to the stock price has been restrained by the constant bid rumours.

The stock is still within 10 per cent of its 52-week high. Although on a strict trading basis, the earnings ratio of 12 would be hard to defend against the 11 times on the Standard & Poor's 500 index.

Wall Street does not expect any strong recovery in Litton's profits until early in fiscal 1986 - which does not begin until August. Meanwhile, the company has a huge cash position, created by stock purchases, which can be viewed either as a springboard for an acquisition round or as an added attraction for a bidder.

Similar arguments apply to ITT, whose stock price remains close to its 12-month peak, and has left the S & P stocks far behind since the turn of the year. Earnings are still sluggish as ITT has struggled with extremely competitive technology and aerospace markets. Profits are not expected to turn higher before the end of next year, and the current earnings ratio stands heavily on recurrent bid speculation.

Perhaps significantly for the share price, these speculative hopes may be waning because of the board's vow to resist predators and its successful divestiture programme which will soon have brought in more than \$1.5bn. Lacking speculative supporters, the stock price could find it difficult to continue outperforming the market.

But Gulf & Western, jumping at a new 52-week high on the plan to buy back 12m shares, seems set fair for further success on Wall Street as investors seek out the prospects for the huge pile of cash, boosted now by the \$1bn from the deal with Wickes.

The modest increase in profits in fiscal 1985 has little significance for the stock price, since the board, as well as the entire brokerage community, has dubbed 1985 as Gulf's transition year.

The stock is already selling on a prospective earnings ratio higher than the S & P 500, and the stock is looking for an earnings gain of about 20 per cent in fiscal 1986.

Investors are evidently happy with a conglomerate, as Gulf & Western must still be named, provided that it is moving out of the capital intensive areas which characterised it in the past. Gulf's film, publishing and financial services mix is far more appealing for the investors of the 1980s.

World Weather

Country	Temp	Wind	Pressure	Condition
Austria	21	70	80	Cloudy
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Australia	165	60	80	Cloud

SECTION III

FINANCIAL TIMES SURVEY

West Germany

— a giant hesitates

IT WAS President Richard von Weizsäcker who captured the complexities of the moment most elegantly and exactly.

West Germany, he said in his riveting address on May 3 to the Bundestag, certainly had no reason to be self-righteous or arrogant. But, he went on, "we may look back with gratitude on our development over these last 40 years, if we use the memory of our history as a guideline for our future behaviour."

The day, as anyone not marooned on a desert island must know, marked the 40th anniversary of the end of the Second World War. Like all such commemorations it was ambiguous—but nowhere more so than in West Germany. It was at once a measure of how far the country has come since the ruin of 1945, and yet a reminder of the extent to which it remains a prisoner of the events which that year reached their climax.

In many respects West Germany is just another EEC country, which has done as well, if not better than its Community partners in coping with the problems they share in the closing decades of the 20th century. There will be no shadow of the past hanging over the general election it faces in early 1987, rather the economy, prosperity, and how best to bring down an unemployment rate of around 9 per cent.

West Germany stands today as the greatest economic power in Western Europe, boasting steady if unremarkable growth and the lowest inflation rate in the world. Like the rest of the old continent, it is worried about how to keep up with the high technology challenge of the U.S. and Japan; like most others in the Atlantic Alliance it is concerned at the Pandora's box of implications opened up by the Star Wars strategic defence initiative (SDI) of President Reagan.

Four decades after the end of the Second World War, West Germany remains a land of contradictions. It has developed an enviable stable democracy and the most powerful economy in Western Europe, yet in some respects still searches for an identity.

RUPERT CORNWELL REPORTS FROM BONN

Like more than one of its neighbours, it has witnessed in the last 12 months titillating political scandal, as well as a modest degree of urban rioting. Yet, neither these, nor the introspective celebration of the collapse of the Nazi regime, were the events which have most captured the public imagination. Those were provided by the exploits of Boris Becker, the 17-year-old tennis prodigy who won Wimbledon and led West Germany to the final of the Davis Cup.

But, it is impossible to pretend that in numerous ways the country is not still conditioned by its past. More than 36 years have gone by since the Federal Republic became an independent state: nevertheless the old jibe that West Germany is an economic giant but a political dwarf contains more than a grain of truth. In part, this is due to self-imposed inhibitions after what happened between 1933 and 1945, in part to the *de facto* consequences of defeat, foreign occupation and dismemberment. The anniversary

is merely brought the constraints into vivid focus.

One symptom was the controversy over the Stuttgart military Cemetery where 200 soldiers are buried: another was the national interest, stretching far beyond Germany, aroused by the von Weizsäcker speech. Even the rash of spy-defections to East Germany, which virtually monopolised the headlines this summer, is testament of a kind to the anomaly of a single German nation split by the aftermath of war into two halves, which now find themselves in the front lines of two opposing ideological and military systems.

But, the effects may also be seen in the discretion and caution of Bonn's foreign policy. West Germany ranks as one of the "Big Three" of the Community, yet there is none of the flamboyance of France, or the dogged pragmatism of the British. Bonn, except in the purely economic or environmental field, seems rarely to take initiatives. To some extent this reflects the intensely federal structure of the country, if any-

thing over-endowed with checks and balances.

But a contributory factor is the past and the desire to ruffle as few foreign feathers as possible. This month has provided one striking example with the argument over the merits of an DM 8bn deal to supply Saudi Arabia with a munitions plant. Almost any other country would have been congratulating itself on such a deal, but, come in the case of Bonn, it merely drags West Germany back on to the emotive, infinitely delicate terrain of relations with Israel.

The complexities spread to West Germany's very place in the world. None of its leaders has been more whole-hearted in his commitment to the Western Alliance and Washington than Chancellor Helmut Kohl, or to Bonn's role in the vanguard of the EEC. Upon these foundations he has tried to revive a sense of patriotism, of legitimate pride in the achievement of the most democratic society over most of German soil.

With his fondness for the long-dormant expression *Vaterland*, he constantly holds out the distant vision of a Germany re-united.

But at this point the opposition bugs become acute. For however inevitably the two Germanies may be growing apart, however remote the prospect of reunification may be, the fact remains that the road to that goal lies through Moscow, the patron power of the other Germany.

All, too, must be done without summoning the spectre of German militarism—despite the presence on West German territory of a huge concentration of nuclear weapons, certainly not in German hands but aimed at Eastern Europe and the Soviet Union, and despite the position of the Bundeswehr as a lynch pin of NATO's conventional forces in Europe.

These conflicting pressures help explain Bonn's obsessive deal keeper on SDI than some of his Cabinet ministers, notably Herr Hans-Dietrich Genscher, the Free Democrat (FDP) Foreign minister. But would the Social Democrat opposition prove as steadfast, if returned to power?

On the face of it, the answer must be no. The defeat of the last SPD-led Government, under Helmut Schmidt, in late 1982 saw a sharp leftward lurch in Social Democrat defence policy, which has subsequently been modified only in part. The SPD

opposed missile deployment and rejects the very idea of SDI, not to mention the notion of formal West German participation in the programme.

Herr Johannes Rau, the party's popular candidate-designate for Chancellor, maintains that Bonn's place is within Nato and its military structure. But other SPD experts are exploring the idea of a zone, free of chemical and nuclear weapons, which would embrace both Germanies—something looked upon with

much favour by Moscow. All of which adds up to uncertainty, and small wonder that interested foreign observers are monitoring so closely the eddies and jitters behind the stolid facade of West German domestic politics, in the run up to the 1987 election.

Opinion polls suggest that the SPD is neck-and-neck with the CDU/CSU headed by the Chancellor, not least thanks to the appeal of Herr Rau. In fact, however, the odds must at this stage be against a Social Democrat Government here in two years' time.

One reason is the lack of potential allies. The FDP, king-makers in Bonn, can hardly be expected to jump horses so soon after ditching Herr Schmidt.

The radical, anti-nuclear Greens, in Herr Rau's view at least, are too unreliable to be allowed into central Government—and in any case may not even clear

West German President, Richard von Weizsäcker, left, talks to Chancellor Helmut Kohl. The President has become one of West Germany's most popular and respected figures.



IN THIS SURVEY

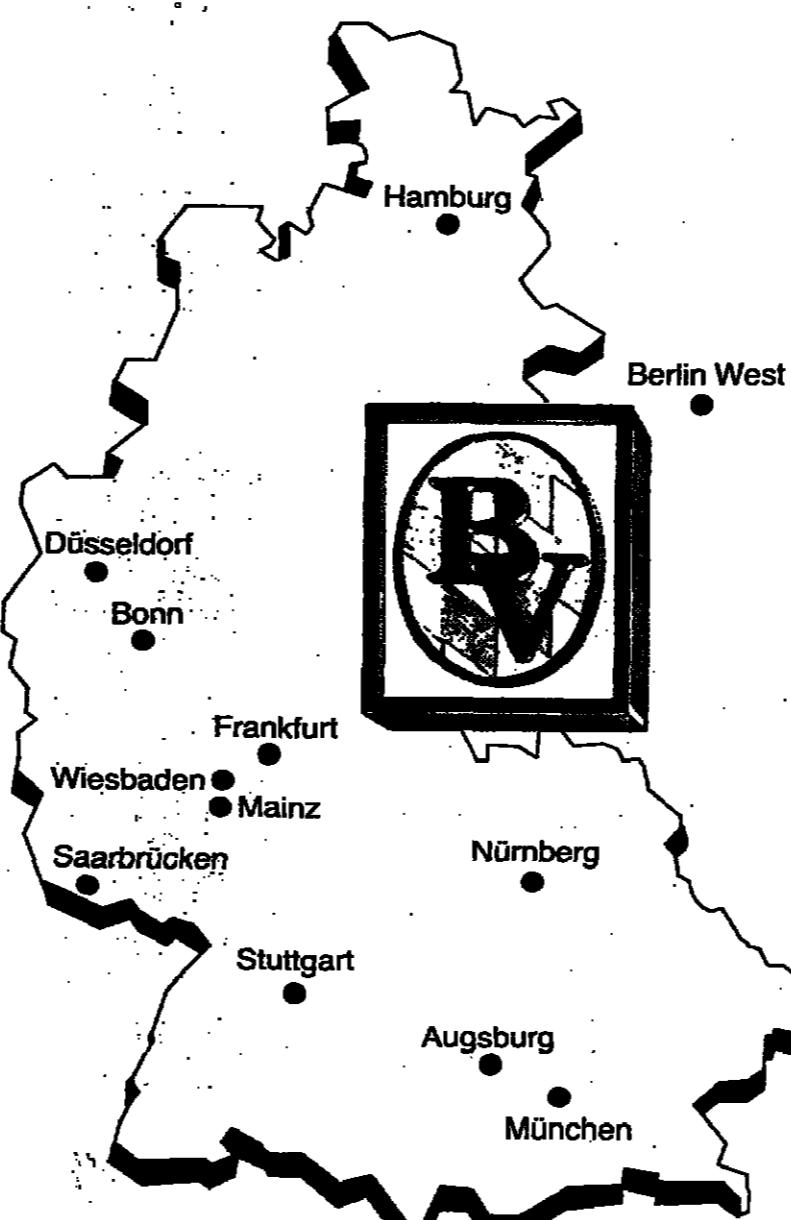
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AKTIENGESELLSCHAFT

West Germany 2

After reaching 2.1m, unemployment is set to fall as 200,000 new jobs are created and industry searches for more skilled workers.

Kohl getting his recovery message across

The economy

PETER BRUCE

WEST GERMAN unemployment at 2.1m is a post-war high for this time of the year. Earlier this month, the trade unions called thousands of their members out on to the streets. Chancellor Helmut Kohl had to make time during the parliamentary week to issue a special call for calm.

The end of West German democracy as we know it? Well, no. The trade unionists on the streets were staging the most polite series of rallies, distributing and distributing carefully designed and expensive leaflets to each other. Herr Kohl said little more than that he did not think it very fair that the leaflets were accusing his Government of being responsible for the scale of unemployment and invited the unions to three-day talks, for the second time this year, with the employers included.

The workers, given the almost eerie absence of real rancour in the relationship with the Government, will no doubt accept.

The problem they have in attacking the Government is that the unemployment figures—which reached an all-time post-war high of 10.6 per cent in January—are really the only weakness at present in Herr Kohl's economic arsenal. His problem is getting the good news across.

West Germany will, in fact, create 200,000 new jobs this year, and since the summer industrialists have been complaining that they cannot find people to fill vacancies for skilled workers.

Hard winter

At the beginning of this year, ministers had more reason to be worried. First quarter gross national product fell 1 per cent, largely, it seems, because of the effect freezing weather had on an already depressed construction industry and on the retail sector.

The fall forced the Government to abandon its forecast that unemployment would fall by even modest 100,000 this year, but even this has been duly replaced recently by one that talks about the number of people in work increasing.

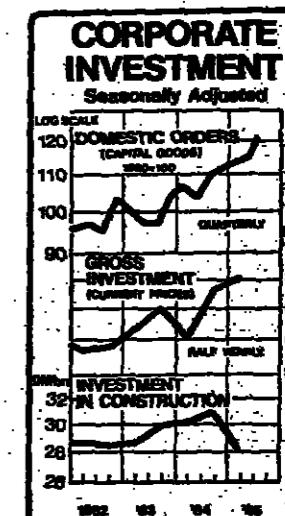
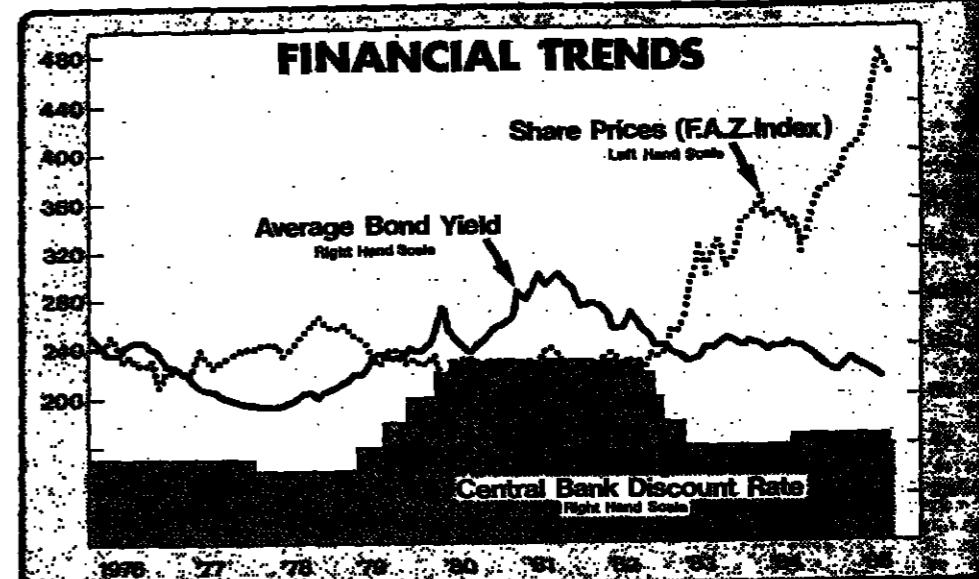
In the second quarter, however, real GNP rose 2 per cent and the finance minister, Dr Gerard Stoltenberg, has in the past few weeks even been so bold as to suggest that GNP growth for this year might exceed government forecasts of a modest 2.5 per cent.

The factor central to this revival of confidence has been a slow, but by now unmistakable recovery in the domestic economy. For the past two years, an export boom, fuelled by the strong dollar, has been almost entirely responsible for growth.

The 1984 trade surplus, DM 866, was a record but it pales next to the DM 75bn surplus expected this year. The danger was that a fall in dollar against the D-mark would hurt exporters and that domestic orders would remain as flat as they had been since a similar boom collapsed in to life and quickly died in 1982.

Two things militate against that. First, although the U.S. has been the fastest growing export market recently, only 10 per cent of German exports go there and even though the D-mark had risen some 13 per cent against the dollar in the first half of the year there are signs that the goods sold into the U.S. particularly capital equipment are probably not too price-sensitive.

Secondly, West German infa-



tion, now marginally over 2 per cent and falling has encouraged industry to begin investing their (dollar) windfall profits which should begin to generate an increase in consumer spending.

The fact that the West Germans have not only contributed to low inflation but it also dampened imports when they might have been more expensive.

The Government's tough fiscal policies are also beginning to pay off. Overall public budget deficits, about DM 40bn this year according to the Bundesbank, will have fallen DM 10bn in a year, leading to a noticeable easing of pressure on credit markets. Interest rates, though still relatively high in real terms, are falling.

If anything, Germans remain sceptical about the recovery, outsiders are not. Foreign buying has been far and away the main force behind an apparently unstoppable bull market in German shares. The FAZ index has risen 160 per cent since the low of August 1983. Importantly, most brokers believe the foreign buying is not speculative but part of a serious effort to get out of dollar securities.

Construction orders have begun to pick up, but from such a low base that the effect is barely noticeable. It is critical to the construction industry, which normally accounts for some 12 per cent of GNP, that new industrial investment means new buildings, or at least additions to old ones.

More automation

This is not happening yet. Industry is expanding capacity by automating its plant, something that can easily be done in current floor space and it seems that it would take a really unique leap in industrial investment combined with a need to rehire lost workers on a scale that management are reluctant to do, to help domestic construction orders back even to the low levels of last year.

German shares have never risen so high so quickly and, says one major broker, it is highly unlikely that the market would begin to fall before GNP growth does.

That said, the domestic recovery (and, therefore, the Government) is not out of the woods yet. A surge of exports

Stoltenberg deviating from his previous policies by pumping Federal funds into public works as the unions protested earlier this month want him to do.

The retail industry is also having to wait to see whether a planned two-stage tax reform worth DM 20bn, to be paid out next year and in 1988, will find its way not only into the pockets of consumers, but whether they will spend the money.

The Government has also failed to tackle, in any serious way, a string of structural "rigidities" it promised to do away with when it came to power in late 1982. Subsidies remain high—in fact, public aid to industry has increased under the Kohl administration.

Plans to privatise some state-owned companies have withered away and industry, angry at Dr Stoltenberg's refusal to make the DM 20bn tax cut in one stage next year, has warned that the time lag between the two will mean little more than the reform flattening out actual tax increases under the present Government.

Politically, however, the only thing that matters now, just over a year before the next election, are the unemployment figures. Should they begin to fall, thereby strengthening the impression that the domestic recovery is really taking hold, Herr Kohl will probably not have much to worry about when he faces the electorate in January 1987. His Ministers insist that such a fall is no longer in doubt, it being simply a question of "when".

Until then, the opposition will, despite any other evidence to the contrary, continue to damage him with accusations that he has mismanaged the economy. It is an allegation that is becoming harder and harder to prove, which probably accounts for the fact that trade union "anger and despair" has, of late, begun to resemble little more than theatre.



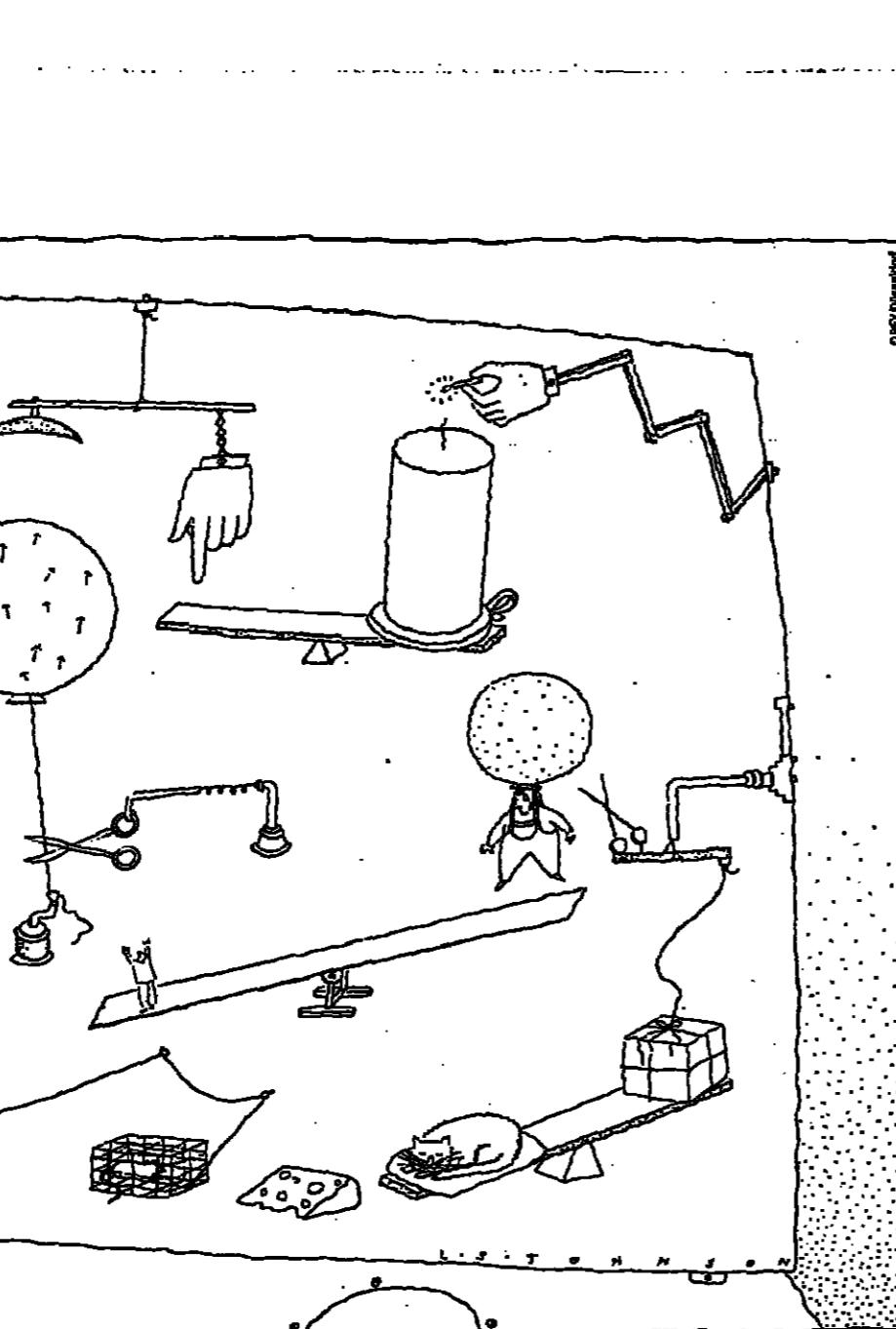
Dr Gerard Stoltenberg, Minister of Finance: leading a revival of confidence

HOW THE OECD SEEKS ECONOMIC OUTLOOK

	Percentage changes from previous period, seasonally adjusted at annual rates, volume (1976 prices)									
	1982 current prices DM bn	1982	1983	1984	1985	1986	1984 II	1985 I	1985 II	1986 I
Private consumption	910.3	-1.4	1.1	0.6	1.1	2	-0.3	2	-1.5	-2.1
Government consumption	323.8	-1.6	0.2	2.6	1.1	1.1	4.8	-0.1	1.1	1.1
Gross fixed investment	325.3	-4.5	3.0	1.3	2	3.1	8.2	-2.1	6.1	3.1
Public	47.4	-9.3	-8.2	-1.3	1.1	3	7.3	-2.2	3.1	3.1
Private residential	98.8	-4.2	4.7	2.4	-5.1	-0.1	-2.2	-1.1	4.1	-2.1
Private non-residential	184.5	-3.7	5.0	1.3	5.1	4.1	14.0	2.2	4.1	3.1
Final domestic demand	1,571.3	-2.0	1.3	1.0	1.1	2	-0.6	0.1	2	2.1
change in stockbuilding*	-9.7	0.1	0.6	0.7	0	0	-1.2	0.1	-0.1	0
Total domestic demand	1,566.6	-2.0	2.0	1.7	1.1	2	1.3	1	-1.5	2.1
Exports of goods and services	539.1	4.6	-1.3	7.9	7.1	6.1	11.9	6	6.1	7.1
Imports of goods and services	501.2	2.1	0.5	5.7	4.1	5	2.4	4.1	4.1	5.1
change in foreign balance*	37.9	0.8	-0.6	1.0	1.1	1	2.9	0.1	1	0.1
GNP at market prices	1,604.5	-1.1	1.3	2.6	2.1	2.1	4.2	1.1	2.1	3.1
GNP implicit price deflator	—	4.6	3.2	1.9	2.1	2.1	2.5	2	2.1	2.1
Memorandum items:										
Consumer prices	—	5.0	2.9	2.6	2.1	2	2.2	2.1	2	2.1
Industrial production	—	-3.0	0.8	3.6	4	3.1	9.4	1.1	2.1	3.1

* As a percentage of GNP in the previous period. † Actual amount of stockbuilding and foreign balance. ‡ National accounts private consumption deflator.

Table from OECD Economic Outlook, May 30 1985.



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JOHN LEWIS

West Germany 3

Social Democrats face an uphill struggle in the next 15 months

Elections cast a long shadow

Political scene

RUPERT CORNWELL

A GOVERNMENT of little lustre, a Chancellor held in scant esteem; but both seemingly condemned to succeed. An Opposition led by the most popular politician in the country, which might again become the largest single party, yet reckoned to have small prospect of a return to power.

The next Federal elections are still 15 months away, but in West Germany lead times are long, and predictions of their outcome have already acquired a distinct similarity.

The experts of course could be wrong. Between now and early 1987 Helmut Kohl and his ragged centre-right coalition may yet do enough to snatch defeat from the jaws of victory and, conceivably, the Social Democrats (SPD) may by then be looking sufficiently unworthy and united to allow Herr Johannes Rau, the party's probable candidate for the Chancellorship to turn his personal appeal to triumphant effect.

The odds, even after the SPD's stunning victory last May in Herr Rau's home state of North Rhine Westphalia, must be against such a reversal, not least for the reason which in great measure lie behind the control of the two major parties.

Unarguably, the Social Democrats are not in better shape today than they were in March 1983, when Bundestag elections sealed the return of the Christian Democrats (CDU) and their Bavarian allies, the CSU, to office after 13 years in the wilderness.

Part of the credit goes to Herr Rau, part to the ramshackle performance of the Kohl Government, and its failure entirely to convince even in the economic field where it was supposed to hold the answers.

The crude fact remains, however, that in the ten federal elections since the birth of modern West Germany in 1949, the SPD has never won the 50 per cent needed to govern on its own. Always it has required allies. First of all, in the shape of the "Grand Coalition" with the CDU between 1966 and 1969, and then between 1969 and 1982, with the Liberal Free

Democrats (FDP). The same, barring miracles, will be true in 1987. Yet the potential allies are pretty hard to discern.

It was the FDP which, by transferring its allegiance to Herr Kohl and the CDU in the autumn of 1982, brought down the Social Democratic coalition of Helmut Schmidt. Today the party, in economic and social policy at least, has moved markedly to the right.

Certainly good tactics dictate such a stance. But even at a state level, the protracted, albeit apparently successful, negotiations between SPD and Greens to form a coalition in Hesse show how difficult it is for the two parties to reach a modus vivendi. Herr Rau knows full well that the emergence of an arrangement at federal level with the Green would only scare off potential moderate SPD voters, already worried about the left-wing drift of the party on security policy.

Indeed, it is the alleged "unsoundness" of the SPD on defence and Bonn's place in the western alliance with which the Christian Democrats will make great play in the forthcoming campaign. A forecast came on the night of the North Rhine Westphalia vote, when the Chancellor was roundly beaten by the SPD chairman, Herr Willy Brandt, accusing him of "primitive anti-Americanism".

The successes have emboldened it to create more mischief in the coalition: but the Free Democrats are hardly likely to bite off the hand which feeds them.

Assuming the FDP is off limits, the only other potential partners for the SPD are the radical left-wing Greens — and here even greater difficulties arise. The first of them is simply that there is no guarantee that the Greens will be returned to the Bundestag in 1987.

Until the turn of last year, the party's rise seemed unstoppable, and the Greens seemed set fair to replace the FDP as the third force in West German politics.

The party's fortunes have since plummeted. The inherent contradictions in a protest party's make-up have emerged, with the party wanting to break with the system, and those forming alliances with the SPD. Green "own goals" have been embarrassingly numerous, while the other parties have stolen "Green" issues, like environmental protection and disarmament.

Herr Rau himself has ruled out any deal at federal level to provide the SPD with a Bundestag majority in 1987, warning that no responsible Government could place itself at the mercy of so unpredictable a grouping.

Even by past standards, the rancour and jealousy between the CSU and the FDP, notably between Herr Hans-Dietrich Genscher the Foreign Minister, and Herr Franz Josef Strauss, the Bavarian leader who behaves as if he were Foreign Minister, is unusual. The Chancellor has sold 58 seats in the Bundestag, but often it does not look like it.

Now, the less the accidents this year have not had the epic qualities of those of 1984 — the Kiesinger affair and the resignation of Count Otto Lambsdorff, the Economics Minister, faced by charges of bribery and tax evasion. Calls for the Chancellor's head multiplied after the North Rhine Westphalia disaster, but have abated.

Nor is there any obvious suc-

cessor of the authority to take

over so close to the next elections. Even Herr Strauss has conceded that the rival he scorns will lead the CDU/CSU

in the 1987 campaign.

Herr Kohl's hole card, moreover, remains the economy. In West Germany as elsewhere, elections are mostly won and lost on economic performance: the signs are that things may be coming good for the centre-right coalition at just the right moment for Chancellor Kohl.

In Bonn, his seeming lack of grasp and authority have made him the butt of a thousand unflattering jokes. The contrast between the vacuous bonhomie he radiates, and the incisiveness and prestige of his predecessor, Helmut Schmidt, is glaring. Not so long ago, in the wake of the CDU's calamitous showing in the May state election in North Rhine-Westphalia, there was excited speculation of a palace coup, to replace him with someone who looked more like a winner.

But such talk has subsided, though unanswered the key question is will the improvement

A GIANT HESITATES

be enough to bring about a fall in unemployment? The Government says Yes, pointing to estimates that over 400,000 new jobs will have been created in 1984 and 1985, and that better is on the way, now that the reservoir of short-time workers is nearly exhausted.

The Opposition and the unions disagree, and are already talking of programmes to reduce working hours, restore welfare cuts, and boost public spending. Zito inflate domestic demand, should it be returned to office, to which the Government retorts that it was SPD policies such as those which contributed to the recession of 1980-82 in the first place.

The battle lines are therefore drawn, and every set of unemployment statistics in the months ahead will be a new skirmish. But by and large the other political show, West Germans, generally reputed to be gloomy, pessimistic folk, are broadly happier with their lot than for many years. That, indeed, may be a considerable unsung achievement of Herr Kohl — and proof that the past is not everything.

PERSONALITY PROFILE: ALFRED DREGGER OF THE CDU/CSU

A politician who speaks his mind

WHATEVER ELSE, Alfred Dregger, floor leader in the Bundestag of the CDU/CSU parliamentary group, has one virtue not always to the fore in West German politics: at least you know where he stands.

His critics, and they are legion, regard him as a creature of the distant right of the conventional political spectrum. But the man himself would describe his views as no more than honest patriotism, certainly not the uncomfortable virtue of post-war West Germany, but which he has described as "a feeling as natural as love for the family."

Not surprisingly, in this year of bitter anniversaries and awkward memories, those views have been rarely out of the headlines: the insistence that 40 years after the end of World War II, the German question remains open, the utter commitment to Bonn's alliance with the U.S., his public attack on the Washington Senators who had the temerity to oppose President Reagan's visit to Bitburg Cemetery where 47 former SS soldiers were buried, the sympathy for the cause of the Vertriebene, the Germans up-

rooted from the East after 1945. But the embarrassment that may have been caused, and the controversy, have left Herr Dregger unrepentant.

If so, then that may in some measure be put down to the traditional forthright simplicity of the old soldier. Dregger was born in 1920, and war arrived before he could go to university. Instead he rose by 1945 to the rank of captain and battalion commander, and in the fighting was wounded four times.

Today, at almost 65, he still has the looks, cut and crispness of the military man. He was born in Münster in Westphalia, but has little of the sentimentality and ponderousness counted as the usual virtues of Westphalians.

Straightforward

Herr Dregger is no less straightforward when it comes to domestic politics. Germans can be proud of their country, he says, "we have the most successful Government in Western Europe" — and reels off a string of statistics to prove the point.

For the post-Schmidt SPD he has little time, and least of all predictably when it comes to

foreign and security policy: "The Social Democrats just end up by representing the positions of the Soviet Union," whose encroachment to the Elbe our times as the central tragedy of our times.

To portray him merely as a simplistic sloganiser would be wrong, however. The Dregger style may be mocked by the Left, but clearly a large chunk of Germany's silent majority likes both the style and the substance.

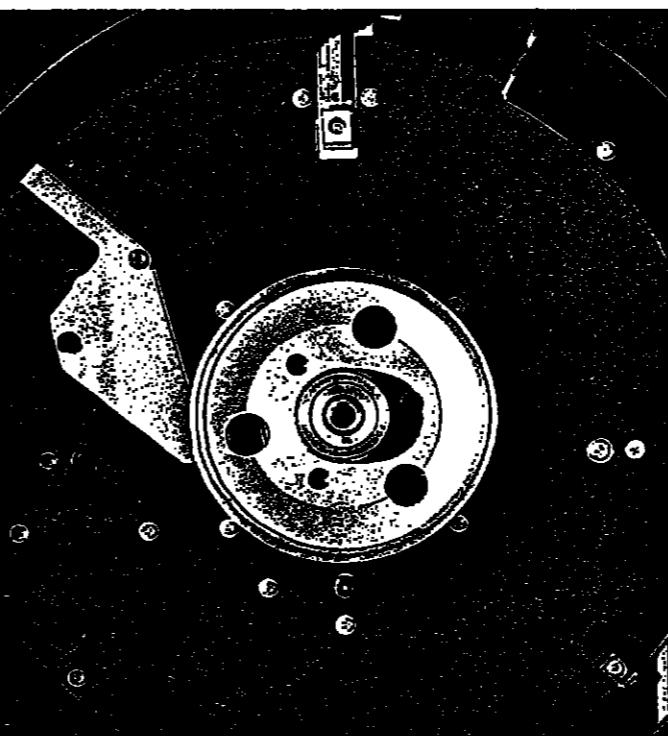
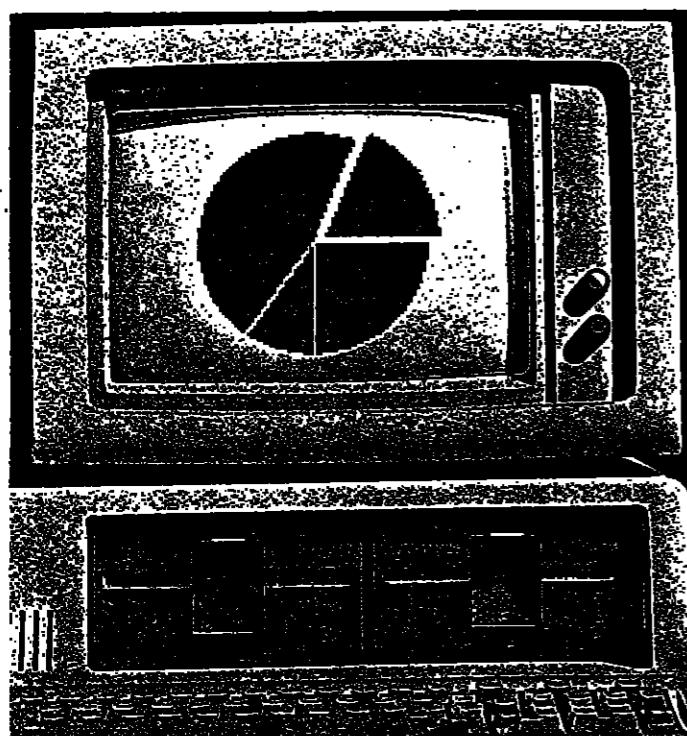
He was elected Mayor of Fulda in Hesse in 1956, and in the process became the youngest mayor in the country, at the age of 35. He gave up the job in 1970, but still spends weeks when the Bundestag is not sitting dealing with constituency affairs in the town, just a few miles from the East German border.

It was during the 1970s that Dregger made a national name for himself, by turning the Christian Democrats into the largest party in Hesse, a state hitherto dominated by the SPD.

By the Land election of 1982, it seemed as if the CDU might take power there, in alliance with the Liberal FDP. But a

RUPERT CORNWELL

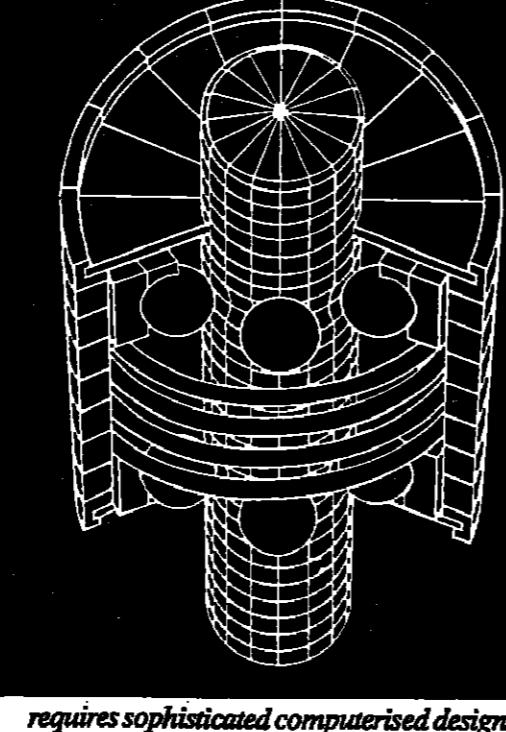
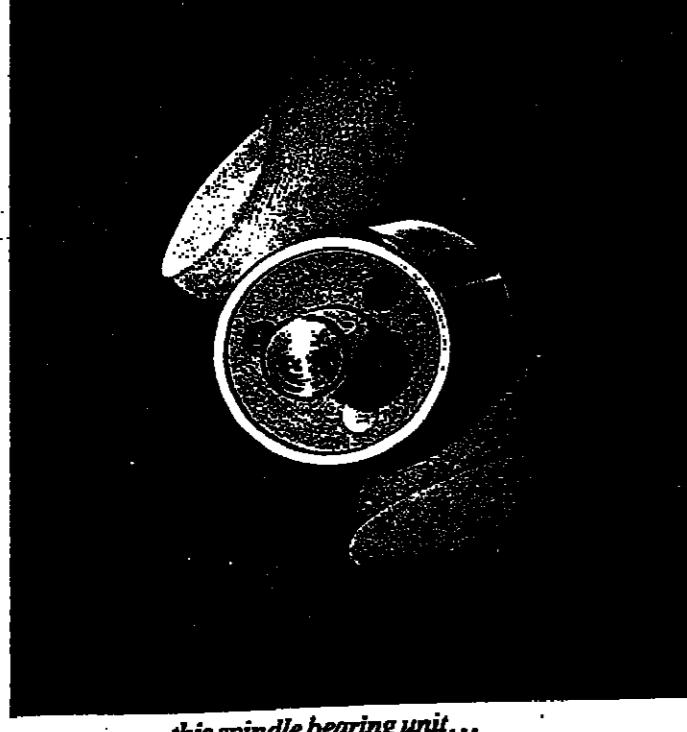
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and micro-precision scrutiny...

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A look at the regrouping in the industry

Why the giants are chasing the cash-hungry producers

Defence

PETER BRUCE



Manfred Woerner, the Defence Minister: under pressure from the Government to reduce costs

the Tornado fighter. Then it bought control of Dornier, Germany's second biggest aircraft concern and also a major defence electronics contractor.

At the same time Messerschmitt-Bolkow-Blohm (MBB) effectively took control of Kraus Maffei, manufacturers of the highly regarded Leopard 2 main battle tank.

In all these takeovers declining military order books have been important. Leopard 2 production expired in 1987 as should output of the Tornado. In Dornier's case, the company was wracked by internal managerial strife but its military business too had been on the wane.

Many of the medium-sized defence equipment producers are having to ask themselves whether it is worth remaining in an industry in which more weapons are being produced in multinational ventures, meaning fewer orders to go around the country's 38,000 defence suppliers.

The trend towards "super producers" seems inexorable, and those who remain independent, like Diehl—a major ammunition and accessories supplier—are diversifying into other civilian technologies, including computers.

There also exists, however, the lingering hope among all defence contractors that Bonn will finally raise the 30-year-old barriers on arms exports and let the industry loose on the rest of the world to compete with the U.S., Britain and France.

At the end of September, about two weeks before Daimler-Benz pulled off West Germany's biggest takeover, paying more than DM 1.6bn (\$801.5m) for control of AEG electronics group, stock market brokers in Frankfurt had got wind of something. The rumour was that Daimler was going to buy AEG's DM 1.4bn a year defence business—mainly high frequency communications technology.

Not for the first time, the brokers got it wrong. Daimler-Benz is trying to buy the whole group but the fact that the stories were believed by a lot of people who watch the defence business, and that they thought even the less spectacular purchase made sense, is important.

West Germany's defence industry is regrouping. Smaller, cash-hungry producers are being swept up by richer giants. It is still impossible to say, however, whether the shifts in ownership are themselves defensive or the prelude to something more dramatic.

Before setting upon AEG, Daimler had already this year bought complete ownership of MTU, the country's only aero engine builder, whose major business over the past few years has been supplying engines for

their future to see whether the sentiment holds water.

If the Government, in the face of certain Israeli pressure, and much criticism at home, goes ahead and allows Rheinmetall to supply a DM 80m artillery and tank ammunition plant to the Saudi Arabia it will mark a fundamental break with the past.

For Bonn's military planners, there would be important advantages in both the defensive move towards fewer and bigger contractors and in an aggressive opening up of export opportunities which might encourage smaller producers to stay independent in the industry.

Herr Woerner, the Defence Minister, would probably like to see the industry remain much as it is—fragmentation does reduce the risk of monopoly—but time is not on the side of the producers and Bonn will take a long time before giving the nod, or otherwise, to the Saudi deal.

Herr Woerner is also under pressure, from his Government to reduce costs and from Nato, particularly the U.S. colleagues, to increase real spending. Herr Gerhard Stoltenberg has cut the Federal Government's deficit from nearly DM 400m to around DM 250m since 1983 and the Defence Ministry has had to slow down its spending along with almost every other department.

The defence budget for next year envisages an increase in spending of just 2.6 per cent,

The Defence Ministry has argued that the longer military

service, and a general tightening up on exemptions, is the only way to keep total strength at the required 495,000 men, and the Government, a year ahead of what promises to be a tough election, is highly unlikely to even think about drafting women to help make up the numbers.

Luckily, trimming the increases has coincided with a sharp fall in inflation in the past few years—it now stands at about 2 per cent—meaning that Herr Woerner has been able to argue in Nato that Germany's increasing spending in real terms in order to be able to fulfil its commitments to the alliance. If that were not enough, the Defence Ministry argues, it has also shouldered a political burden and set in motion legislation designed to increase the length of national service.

Some observers, excluding the more obvious critics, have suggested that the Government might be overreacting in its determination to increase the length of national service from 15 to 18 months after July 1989. But the military have been alarmed at the effects the country's rapidly declining birthrate could have on manpower through the 1990s and into the next century—an increase in long-serving volunteers has helped push the standing army up to some 260,000 men but in ten years time it is expected that the number of recruits will have fallen from 300,000 this year to 160,000.

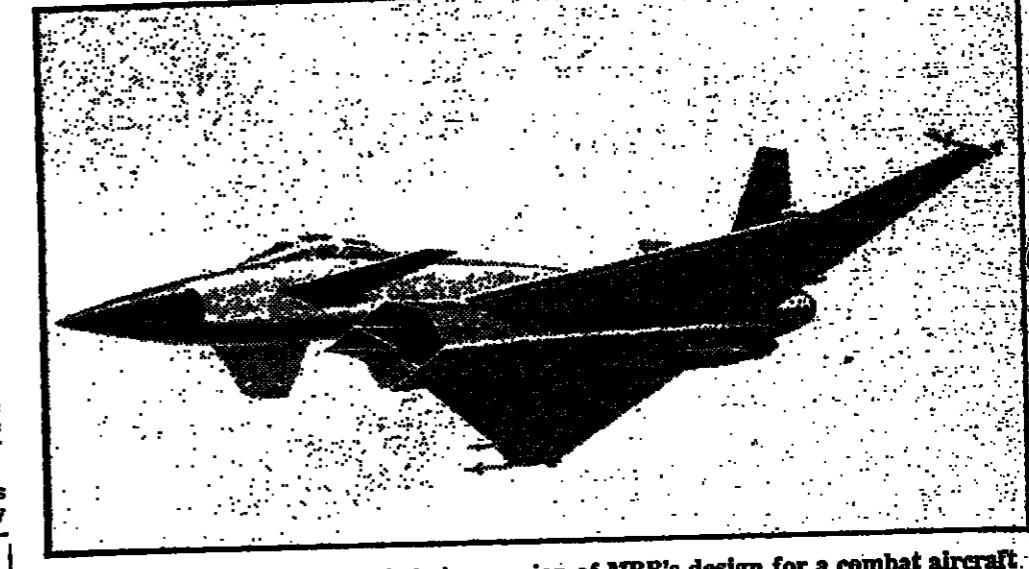
The Defence Ministry has

recovered from a personal disaster of his own making in early 1984 when he was sacked without checking evidence, which soon turned out to be false, General Guenter Klessing, deputy supreme commander at Nato, for frequenting homosexual bars.

Herr Woerner probably came closer to resigning than any other minister in this somewhat clumsy Government, but his political record has been so strong that he has been able to fight off attacks from Herr Franz Josef Strauss, the powerful Bavarian leader, for trying to pension off older officers early to clear a bottleneck that was frustrating junior officers and to begin engaging in a unique military relationship with the French.

This has slightly unsettled Bonn's Nato partners. French and German troops held their first joint manoeuvres since

World War II this year and another is planned for 1986. Neither is the minister nor his seniors having anything to dissuade French leaders from muddling about extending France's independent nuclear umbrella to cover Germany. Bonn and Paris have split on supporting the U.S. strategic defence initiative (SDI), but Herr Woerner's expressions of support for a "European Defence Initiative" (EDI), which would develop technology to shoot down, from space, East bloc medium-range missiles, have much to do with wanting to draw the French into closer alliance.



Fighter of the future: an artist's impression of MBB's design for a combat aircraft of the 1990s. There is a relentless trend in the defence industry towards "super-producers" with major suppliers further diversifying into high technology areas. Military planners also see advantages in fewer but larger contractors

Soviet coolness hinders moves to more accords

Ties with East Germany

LESLIE COLITT



Erich Honecker, the East German leader: tension between the two superpowers is affecting relations between East and West Germany

THE EAST GERMAN leaders are far from happy with the conservative coalition Government in Bonn but they are making the best of the situation while wooing the opposition Social Democrats (SPD). The Christian Democrats (CDU), for their part, have managed to continue the process of give-and-take with East Berlin which was begun by the SPD under Willy Brandt in the early 1970s.

A visit to West Germany by Herr Erich Honecker, the East German leader, may even become feasible next year, after the visit planned for September 1984 was cancelled under strong Soviet pressure.

Before Herr Honecker will be permitted to go, however, the Soviet Union will want to improve its own cool relationship with Herr Helmut Kohl's Government in Bonn. But Moscow's efforts to isolate the Bonn Government diplomatically, while countering the SPD, have not prevented the two German states from concluding a series of accords.

In July they signed an agreement raising the interest-free "swing" credit (an overdraft facility) denoted for East Germany's use in Germany from DM 600m to DM 800m. This was accompanied by an East German curb on illegal immigrants from Sri Lanka entering West Berlin via East Berlin's Schonefeld airport, a long-standing West German complaint.

A month later East and West Germany concluded an agreement under which Bonn will pay East Germany DM 1.45m for the renewal of a 41 km stretch of road surface used by West and East Germans on the inner autobahn between West Berlin and the Bavarian border at Hof.

The 1971 four-power agreement continues to guarantee unhindered autobahn access to West Berlin through East Germany. But Bonn's annual payments of more than DM 1bn to East Germany for services it renders to West Berlin ensure that traffic to and from the city flows without interruption and that East German border officials have become unusually helpful.

Early in September Herr Honecker held talks at the Leipzig Fair with Herr Franz-Josef Strauss, leader of the Bavarian wing of the CDU. In 1983 Herr Strauss was instrumental in obtaining a DM 1m Government-backed loan to East Berlin and in return East Germany began dismantling its automatic weapons along the border.

This time Herr Honecker told

his aides, Herr Günter Guillaume, was exposed as an East German spy.

Herr Brandt and Herr Honecker agreed at their talks late last month that in November their respective parties would begin negotiations on the creation of a zone free of nuclear weapons in Europe. The announcement appeared to indicate that the SPD would be prepared to take a quantum leap in its relations with East Germany if it was returned to power in Bundestag elections in 1987 but it was far from certain that the SPD in government in Bonn would have the freedom to act as it did while in opposition.

Herr Brandt, like Herr Strauss, came away from his talks with a promise from Herr Honecker more East Germans would be allowed to visit their relatives in West Germany on urgent family matters.

East Germany, together with Czechoslovakia, last month sent a letter to the West German Government proposing negotiations on a zone free of chemical weapons in Central Europe. Earlier this year the East Germans and the SPD in Bonn had drafted an agreement for just such a zone, to include at least East and West Germany and Czechoslovakia.

A CDU spokesman in Bonn called the Honecker proposal unacceptable and argued that it would undermine the Geneva talks on an internationally verifiable ban on chemical weapons which was supported by West Germany.

Officials in Bonn are optimistic, however, that an agreement may be reached soon in the long-drawn-out negotiations with East Germany. They began in 1973 but East Germany refused to accept West Berlin in such a cultural agreement with East Germany. They began in 1973 but East Germany refused to accept West Berlin in such a cultural agreement with East Germany. They began in 1973 but East Germany refused to accept West Berlin in such a cultural agreement with East Germany. They began in 1973 but East Germany refused to accept West Berlin in such a cultural agreement with East Germany.

A visit by Herr Honecker to West Germany is believed to be unlikely until a cancelled visit last May by the president of the East German parliament, Herr Horst Sindermann, can be rescheduled.

The visit was called off when the CDU president of the Bonn Bundestag refused to meet Herr Sindermann in the East Berlin parliament building because the latter did not represent a freely elected legislature. A CDU spokesman said recently, however, that it was possible that Herr Sindermann could be received in the Bundestag under certain conditions.

The conditions included the establishment of contacts between East and West German representatives down to local council members. This will not be easy for East Germany, as it has resisted such contacts since the early 1960s. Before that it actively supported the idea of a reunited Germany and eagerly sought "all-German" contacts at every level.

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Bonn and the EEC

RUPERT CORNWELL

WHICH IS the real German European?

Is it Herr Ignaz Kiechle, the Agriculture Minister, who in June used for the first time Bonn's right of veto to block a proposed cut on Common Market grain prices?

Or is it Chancellor Helmut Kohl, who a fortnight later made a Bundestag address which probably rated among the most passionate declarations of the EEC. It also brought out Herr Kohl's fondness for generalities at the expense of practical detail.

The answer, quite simply, is both. The cereal veto was merely proof that Bonn was as ready as anyone in the Community to stand up for a vital national interest.

It was also a subtle reminder of German feelings of disillusion with the Community as it then functioned. If others could trouble, then why not Bonn, which is the largest net contributor to the EEC's finances?

But what does West Germany want?

One strand in the skein of ideas, proposals and dreams may be labelled "European Union." The term as used by Chancellor Kohl last June referred to enshrining in Treaty form the foreign policy coordination of EEC member states, one of the most successful and smoothly functioning parts of the Common Market.

The Germans say they would like to go further in the security field, though this is complicated by uncertainties over what might emerge from talks over greater military cooperation between Bonn and Paris, and increased French interest in the defence of West Germany in European conflict.

In the meantime, the most evident symbol of the desire for integration has been a reduction—sometimes less than noticeable—in cross-border customs checks between Germany and their Benelux neighbours.

Herr Kohl's idealistic statement of European intent was the other side of the same coin: West Germany's impatience with the status quo and its belief that things could go on no longer, especially on the eve of enlargement of the EEC from 10 to 12 members.

It also illustrated the Chancellor's feelings towards the Community. It showed his conviction that only a more integrated Western Europe could offer an outlet for his country's complex aspirations and anchor it firmly in the West and his belief that close partnership between Paris and Bonn is a crucial sustaining force for the EEC. It also brought out Herr Kohl's fondness for generalities at the expense of practical detail.

The Milan summit turned into a mess largely as a result of that eleventh-hour proposal from France and Germany, and the understandable pique from London at seeing its own more practically worded blueprint for EEC progress. But tempers have now subsided.

With good grace and little choice, Britain has come round to the idea of an inter-Governmental conference to map out the path to a more united Europe. Bonn officials, meanwhile, have completed a package of proposals that would put flesh on ideas in time for the important EEC council meeting in Luxembourg in early December.

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Bonn's commitment to greater technological collaboration has been proved by its enthusiastic endorsement of the Eureka scheme. West Germany will host in Hanover next week the ministerial conference of the 17 countries participating, which should see the venture take firmer shape.

But how much money the Federal Government will provide at this stage is still in doubt.

Meanwhile, after failure last June to force into EEC law tighter controls on vehicle exhaust pollution, West Germany is pressing for more meaningful action to protect the environment, an issue in Bonn of huge political importance.

Bonn also wants to see institutional progress within the Community, most notably by an expansion of the role of the European Parliament. It is seeking a greater readiness than on the part of some EEC members like Britain to secure changes in the Treaty of Rome to encourage more majority voting.

The cereal price veto, officials here argue, was less a case of hypocrisy than of West Germany using the options to protect its national interests.

More problematic is the country's attitude to the other great

area of debate within the Community—how best to create the genuine internal common market for industrial goods and services which the 1981 Treaty laid down but which in many respects has remained a dead letter.

Bonn is in the forefront of the campaign for change, and rarely loses a chance of advertising the free market principles said to guide the management of its economy. However, West Germany has dragged its heels in a variety of cases, ranging from banking and insurance to air transport.

In the related field of monetary policy, West Germany says

that along with Britain it is virtually alone in the EEC in having dispensed with exchange controls.

But the Bundesbank is among the most sceptical and reluctant when it comes to a real widening of the role of the Ecu (European Currency Unit).

Latest measures to liberalise the country's financial markets have had less to do with ideological conversion than the realisation that if nothing were done, Frankfurt might lose ground to London, New York and other more enlightened financial centres, which have already moved with the times. Here, as elsewhere, Bonn's sincerity remains to be proved.



Leaders of the Western Economic Summit at the opening session of talks in Bonn last May. Round the table are President Reagan and from his left Italian Prime Minister Craxi, Canadian Prime Minister Mulroney, President Mitterrand, West German Chancellor Kohl, Mrs Thatcher, the British Prime Minister, President of the Commission of the European Communities Delors and Mr Nakasone, the Japanese Prime Minister

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Reports of dying forests and contaminated water arouse alarm.

The pollution problem remains an important political issue

The environment

JOHN DAVIES

FEW PEOPLE take the environment as seriously as the West Germans. They are already spending big sums on cleaning up their country and constantly debate whether they should do a lot more.

No politician in West Germany can afford to appear indifferent to the pollution problem and no industry or company can lightly shrug off accusations of pollution.

Industry may be West Germany's lifeblood and the car may be its symbol of affluence, but the natural environment—forests, fields, rivers and streams—touches a deep emotional and sentimental chord in this nation.

One can see many signs of this. Thousands of West Germans cultivate small garden allotments, grouped into neat little communities dotted all over the country. The forests and woods are criss-crossed with tracks, many of them well-trodden. There are concrete paths for cyclists alongside rustic streams.

Horror stories
So it is no surprise that reports of dying forests, of pollution seeping through the soil of contaminated water can all arouse public alarm.

But these "horror stories" related with indignation by newspapers, radio and television, are by no means universally accepted. Details are often controversial and disputed and may at times be clouded by political motives.

Concern about the environment (Umwelt) has helped to make the Greens a political force in West Germany. They won seats in the Bundestag in the 1983 elections, have entered several Land (state) parliaments and are a strong force on many regional councils.

But the established political parties are all out to show that they, too, wish to combat pollution and preserve the environment.

Who would have thought, for instance, that Herr Friedrich Zimmermann, the Federal Interior Minister, would prove to be such an ardent environmentalist? But he has done much

in the fight against pollution in the past few years.

He has certainly aroused strong criticism, particularly about the way he handled the long-running saga of car pollution controls. Many motor industry executives felt that there was much muddle in Herr Zimmermann's campaign for tighter emission controls on petrol-engined cars.

But strong environmentalists, including the Greens, felt that he had failed to achieve much with the eventual European Community compromise, tightening pollution controls within the EEC over six years from October 1988.

With the cloud of recriminations now dispersing, however, everyone seems to agree that the environmentalists have been making progress. Under the Bonn Government, with the backing of the car industry, is encouraging motorists to switch over voluntarily to "environment-friendly" cars more quickly than they are compelled by law.

Greens can now make a "personal contribution" to saving the forests and cleaning up the atmosphere, Herr Zimmermann says in an appeal to the motorists' conscience.

To spur this process, the Government has changed the fuel tax to ensure that lead-free petrol is cheaper than the traditional kind. Other tax measures are also being taken to provide financial incentives for the environment-conscious driver.

The Government has already enacted a law to reduce pollution from coal-fired power stations and other large furnaces. Electricity supply companies throughout the country are investing small fortunes in desulphurisation filters at most of the coal-fired power stations and promise to shut down the others.

More recently new law to tighten pollution controls over a wide range of industry has been under debate. Under these proposals, companies will have to invest between three and 10 years to bring their existing plants up to certain emission-control requirements.

Herr Zimmermann estimates that this new law will require companies to invest about DM 10bn by installing filters and taking other anti-pollution measures. This should create about 12,000 new jobs, he claims.

All this amounts to big business for concerns supplying equipment and systems to re-

duce emissions. Pollution control is now a growth industry in West Germany, although quite a few companies are already in the market.

Recent technological advances have opened the way more readily to environmental protection, but many people—not only the Greens, are still far from satisfied with the rate of progress.

The Social Democratic Party (SPD) has also become more vocal and wants to introduce an "integrated" concept of pollution control. This means that polluting substances should be avoided in production processes whenever possible.

It also means, the SPD says, that the public's "disposable" habits should finally give way to "recycling" habits.

The SPD, and above all the Greens, have been critical of the huge chemicals industry, which has been trying for some time to present an image of responsible concern about the environment.

The chemicals companies claim, for instance, that they have doubled their output in the last 10 years but reduced the volume of emissions by at least a third.

One company executive challenged a well-known West German journalist to join him for a swim in the Rhine to prove that the river was free from

pollution. More recently, however, the Greens have disputed claims that the Rhine is cleaner.

Hoechst, with its headquarters and vast chemicals complex near Frankfurt, has been engaged in a running battle for years with the local Greens. Some Green activists have even made it a practice to turn up at the company's annual shareholders' meeting to argue their case.

Hoechst has reacted with dismay at the prospect that a Green politician might actually become Environment Minister in the Land of Hessen. This has seemed possible for some time as the Greens and the Social Democrats struggled to reach some agreement about closer co-operation.

Meanwhile, the food and drink industry is coming under attack by the environmentalists, who want to reduce the number and volume of throw-away containers.

The Bonn Government has been trying to get the food industry to do this voluntarily but has expressed disappointment at the apparent lack of results.

Now the environmentalists have been organising protests and there has been increased talk about regulations to ensure that more foods and drinks are sold in re-usable containers.

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John Smith

West Germany 8

Determined efforts are now being made to catch up with the U.S. and Japan

Renewed emphasis on automation

Electronics

JOHN DAVIES

CAN AN old dog learn new electronic tricks? The West Germans are hard at work proving to the world (and to themselves) that they can.

After agonising about the bravura of the Japanese and the Americans, the West Germans have redoubled their efforts in electronics and now put on a more confident show.

Many industrial companies are applying electronics increasingly in their products and in their own factory and office operations. Machine tool companies, for instance, have been making greater efforts to modernise to meet strong foreign competition.

The federal government in Bonn has been trying to spur along electronics research and the application of new ideas. One of its projects is to encourage more medium-sized companies to use computer aided

design (CAD), although governments in other countries began to give aid for this purpose earlier.

In schools, too, there is more emphasis now on learning about computers, which are apt to be more of a challenge to teachers than their pupils.

Some politicians have been vocal in calling for a new high tech awareness. Herr Heinz Reisenhuber, the research minister in Bonn, has been arguing that microelectronics creates rather than destroys jobs. Herr Lothar Späth, the state premier of Baden-Württemberg, has even published a book pointing out that Germans need a whole new outlook to make the best of the era of information technology.

All this, however, cannot get away from the fact that the West Germans have some way to catch up with their Japanese and U.S. rivals in certain key areas of electronics research.

Recognising this, Siemens, has launched its ambitious "megaproject" aimed at producing one-megabit memory chips (able to store more than a million bits of data) and somewhat later four-megabit chips

(to store over four million bits of data).

In mid-stream, though, Siemens has turned to Toshiba of Japan for an agreement on exchanging know-how. The immediate upshot of this pact will be to speed up Siemens' production of one-megabit chips. Instead of sometime in 1987, these devices should be turned out by Siemens next year.

Link with Philips

Siemens hopes that it will not lag much behind rivals in producing these one-megabit chips. It also has high hopes of being well up with the leaders in eventually starting production of four-megabit chips, a development project in which it is co-operating with Philips of the Netherlands.

A company with plenty of cash, Siemens has greatly increased its investment spending—and not just for the "megaproject". In its financial year just ended, Siemens spent 4bn on investment, compared with DM 2.4bn the year before.

It also plans heavy investment spending in the foreseeable future, plus considerable

outlay on research. Siemens is already West Germany's biggest private enterprise employer, with activities ranging from semiconductors to power stations. It has been stepping up its hiring lately, but in fact has been finding it hard to get highly skilled workers.

Behind its new drive is a clearly defined strategy which Dr Karlheinz Kasko, the chief executive, is pushing through with dogged determination.

The company has singled out certain lines of business as its top-priority growth areas. One of them is electronic components, to serve as the building blocks for advanced new high-technology products. The other main areas are factory automation, the office of the future and public communication networks. In addition, it has focused on the U.S. as an area for expansion.

Siemens is going after these targets with a vigour which has surprised many people.

Dr Kasko says: "I'm getting offers virtually every day from companies wanting to be taken over, since its highly publicised but unsuccessful offer for AEG

Bradley, the U.S. factory automation group. Following the loss of Allen Bradley to a higher bidder, Siemens has been indicating interest in Gould, the U.S. electronics group.

While Siemens has been gaining new momentum, that other long-established electrical enterprise, AEG, has made a remarkable climb back from the brink of disaster.

Three years ago, AEG sought a court-supervised settlement with its bank creditors so that it could survive. Since then, Herr Heinz Duerr, the chief executive, has presided over a steady recovery at the slimmed-down AEG group and AEG's reputation as a high-tech concern has grown.

Now, Daimler-Benz, West Germany's most prestigious and most highly profitable motor vehicle group, has moved to take a majority stake in AEG. This step has dramatically opened up new perspectives for both concerns.

For Daimler-Benz, the link-up would be a further broadening of its base into high technology areas. Daimler took earlier steps in this direction by gaining full ownership of MTU, the aero-engine maker, and a 65 per cent stake in Dornier, the high-tech research company and aircraft maker.

Daimler's plans have also prompted comparison with similar ambitious takeovers by General Motors of the U.S., which is laying the foundation for an electronic link-up of all its worldwide operations.

For AEG, the Daimler connection means, among other things, financial strength to back up further high technology activities. Executives in both groups see many chances of co-operation between AEG and Daimler's other enterprises for mutual benefit.

Meanwhile, Grundig, the consumer electronics group, is continuing to reduce its losses under the new management sent in by Philips of the Netherlands. Mr Hermann Koning, the chief executive, now sees Grundig returning to profitability by the end of 1986.

The new broom at Grundig has already swept away some jobs both in West Germany and abroad, and further restructuring and job losses are likely in the future.

Mr Koning believes that Europe has to come to grips with the problem of overcapacity in the whole field of audio-visual products. He also favours a "tougher" policy towards the Japanese, requiring them to have a high degree of local content in any assembly operations set up in Europe.

The European Community has already taken action to protect European makers of electronic typewriters from

West Germany's top 50 companies

Rank	1984	1983	Company	Sector	Turnover	1984	% change	Employees
1	1	1	Veba	Energy/oil/chemicals	48,611	1,4	-0.8	1,900
2	2	4	Siemens	Electricals	45,819	16.1	+31,000	1,9
3	3	2	VW	Vehicles	45,671	13.9	+28,553	2,9
4	4	3	Daimler-Benz	Vehicles	43,505	8.2	+19,573	8.1
5	5	5	Bayer	Chemicals	43,032	15.3	+174,755	0.0
6	6	7	BASF	Chemicals	42,596	14.9	+115,915	1.5
7	7	6	Hoechst	Chemicals	41,457	11.6	+177,940	-1.1
8	8	9	Thyssen	Steel, engineering	32,450	14.3	+132,534	-4.5
9	9	9	RWE	Energy	26,759	11.0	+70,359	0.0
10	10	10	Ruhrohle	Mining	22,415	21.9	+135,857	-5.1
11	13	13	Deutsche Shell	Mineral oil	18,679	12.5	+4,129	-5.6
12	12	12	Bosch	Electricals	18,375	3.5	+6,320	-4.1
13	12	12	Krupp	Steel, engineering	18,239	1.7	+7,045	-9.7
14	11	11	Deutsche BP	Mineral oil	17,587	-1.7	+72,917	-7.1
15	14	14	GHH	Engineering	16,645	4.3	+51,931	3.5
16	18	18	BMW	Vehicles	16,494	17.5	+103,681	-1.1
17	17	17	Mannesmann	Engineering	15,766	12.0	+3,377	-8.8
18	18	18	E.ON	Holding	15,377	7.3	+2,936	0.7
19	21	21	Ruhrgas	Mineral oil	14,819	15.0	+20,181	-1.2
20	20	20	Prensaag	Energy	13,735	11.1	+59,679	0.4
21	15	15	Opel	Vehicles	12,880	12.4	+46,533	-3.1
22	22	22	Ford	Chemicals	12,787	6.2	+27,507	0.5
23	25	25	IBM	Computers/electricals	11,122	0.2	+22,531	5.4
24	24	24	Derguss	Precious metals/chemicals	11,015	-4.4	+73,190	-4.5
25	23	23	AEG	Electricals	10,516	5.7	+43,205	-1.5
26	26	26	Flick	Holding	10,491	7.1	+21,985	-0.7
27	27	27	Metallgesellschaft	Metals/processing plant	9,671	2.9	+2,373	-3.0
28	28	28	Mobil Oil	Mineral oil	9,466	9.8	+29,252	-4.8
29	30	30	Deutsche Unilever	Food/chemicals	9,427	-0.5	+45,920	-10.3
30	31	31	Salzgitter	Steel/shipbuilding	9,343	11.4	+31,612	-2.8
31	32	32	Henkel	Chemicals	9,075	16.7	+4,181	-5.9
32	24	24	Deutsche Texaco	Mineral oil	8,133	3.4	+35,760	-5.1
33	33	33	Philips Holland	Construction	7,488	19.6	+34,600	-5.1
34	34	34	Deutsche Philips	Electricals	7,251	7.6	+33,651	-5.9
35	35	35	Hoesch	Steel	7,012	-12.9	+21,020	-2.9
36	32	32	Deutsche Reckitt	Engineering	6,992	7.5	+31,946	-5.5
37	37	37	Saarbergwerke	Coal/energy	6,728	3.5	+21,839	1.0
38	38	38	Klockner-Werke	Steel	6,716	1.1	+20,979	-14.1
39	42	42	Bertelsmann	Publishing	6,694	12	+20,979	-14.1
40	42	42	VIEW	Energy	5,978	1.2	+35,485	-3.5
41	41	41	VIAG	Holding	5,719	-2.7	+5,458	-3.7
42	41	41	MBB	Aerospace	5,715	18.2	+24,906	-3.7
43	43	43	KHD	Engineering	5,704	12.7	+34,520	-0.9
44	43	43	Eika	Chemicals	5,291	16.2	+9,469	-0.7
45	47	47	Bayerwerk	Energy	4,888	4.2	+30,338	-6.0
46	46	46	Hochst	Construction	4,888	14.1	+23,039	-1.1
47	47	47	Schering	Chemicals/pharmaceuticals	4,816	-2.7	+36,650	-4.3
48	44	44	BBC	Electricals	4,732	n.c.	+32,271	n.c.
49	43	43	Badig	Holding	4,492	4.6	+31,041	1.0
50	48	48	SEL	Electrical				
n.c. (not comparable)								

Source: Die Zeit.



Solar energy equipment from Siemens will provide power in Middle East countries



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Chemicals

JOHN DAVIES

IN QUICK succession, BASF has bought up a string of businesses in the U.S. and Britain this year. In the midst of it all, it has raised DM 760m in cash from shareholders through a rights issue.

These moves are among the more dramatic signs of efforts being made by the West German industry to build up its own fortunes of the last couple of years and to strengthen its position in the future.

BASF's acquisitions will not only mean a big jump in its world sales. According to Dr Hans Albers, the chief executive, they will also strengthen BASF's earnings potential in the years ahead.

Executives at BASF put a lot of emphasis on the company's takeover of the carbon fibres and associated operations of Celanese Corporation of the U.S. these fit in with BASF's efforts to build up its position in markets for new materials, with the aerospace industry in the years ahead.

With its \$1bn purchase of Imron, the car paint and printing inks company, it has paid for a significant market share in operations

West Germany 9

Daimler-Benz roars into its second century

Vehicles

JOHN DAVIES

DAIMLER-BENZ—elite, proud, technology-driven and a shrewd operator into the bargains—is getting ready for its centenary celebrations next year, but the company clearly has its sights set well into the second century of the automobile age.

In a series of moves this year, each more dramatic than the other, Daimler-Benz has set about broadening its technological base to ensure its pre-eminent position.

First, it snatched the opportunity to buy out its equal partner in MTU, the aero, marine and industrial engine maker. Then it snapped up a 65.5 per cent stake in Dornier, the high-tech research company and light aircraft maker. More recently, catching virtually everyone unawares, it launched a bid to buy a majority stake in AEG, the electrical concern.

These moves have come while the West German motor vehicle industry is still catching its breath after some turbulent times. The industry was hit by labour troubles last year and then faced a domestic market that was upset by confusion about pollution controls.

Daimler-Benz, however, is one of the companies that came through it all with flags flying. It increased profits last year despite the industry-wide strike, and in the depths of the domestic market slump earlier this year, it was alone among German companies actually increasing its local sales.

Its takeover moves, according to Daimler executives, are all part of a carefully worked out strategy for the long term. Having set their objectives, Daimler board members have pounced at the time appeared ripe.

They have been at pains, however, to stress that Daimler is not really changing its colours. Despite diversification, it is still basically a motor vehicle concern and reckons it will remain so.

What's more, executives agree there are still plenty of growth prospects for cars, especially in the quality market segments. That is, Daimler straddles.

Even the commercial vehicle market, which has shrunk in recent years, is one that Daimler cultivates world-wide with moderate optimism.

Daimler aims to branch out into high technology areas of various kinds and with good growth potential. Although such operations would be fairly independent, it expects to see some co-operation in research—and the results could well include spin-off benefits for motor vehicle technology.

After all, the West German vehicle makers pride themselves in being world leaders in auto-

mobile technology and Daimler's moves show a determination to stay a jump ahead.

Many people believe that qualitative growth is going to be even more important for the motor vehicle industry in the future. Electronics and new materials could play a greater role in the motor vehicle. Electronic maps and guidance systems, for instance, are among projects which research scientists have been puzzling over.

There is also the notion that the electronics and communications revolution will lead to a new world of computer integrated manufacturing. This could amount to an electronic link-up of all stages of production—all the way from research and design to assembly and delivery to customers. Component suppliers could also be drawn into such an electronic co-ordinated system.

General Motors of the U.S. already seems to be taking steps inspired by such thinking. It has moved into high technology areas by taking over Hughes Aircraft Company and Electronic Data Systems (EDS).

With its bid for AEG, Daimler-Benz's moves have inevitably been compared with the ambitious plans of General Motors.

Looking ahead to its automobile centenary celebrations next year, Daimler has been giving broad hints of generous treatment for its shareholders to mark the occasion. In any case, it is bound to use the centenary to give further shine to its image.

Professor Werner Breit-schwerdt, the chief executive, has already indicated that Daimler is planning another substantial increase in car production next year. To make this possible, it is expanding capacity at its plant in Bremen.

This plant has been built up as Daimler's second big car assembly works along with Sindelfingen, near Stuttgart.

Part of Daimler's good fortune springs from the success of its compact class vehicles, which have attracted many buyers to its orbit. It has also been among the main companies to benefit from the long spell of a high U.S. dollar.

BMW, one of its rivals, has been making rapid strides during the course of this year after a hesitant start to its domestic sales. BMW was one of the companies to feel the impact of a sharp drop in orders early this year as West German motorists reacted to confusion about government plans for tighter exhaust emissions controls.

BMW accelerates

But with the whole domestic market soon picking up again, BMW has been regaining ground. It has also launched a number of new models, including a diesel version of its 3-series.

Diesels have greatly increased in popularity in West Germany this year. They made up 20.6 per cent of all new car registrations in the first eight months of this year, compared with 12.5 per cent in the same period last year.

Many motorists have turned to diesels as the answer to doubts about how to react to the controversy about pollution controls.

The trend towards diesels is part of the reason for Volkswagen's strong showing this year. VW's domestic sales slipped much less severely than the market as a whole earlier this year, while its sales in European export markets surged ahead.

The result was to give VW a narrow edge over competitors to become European market

leader in the first half of this year.

VW has been striving to expand output to keep up with the strong inflow of orders, especially for the new generation Golf. Workers in its main assembly and component plants agreed to work some Saturday shifts in return for time off later and the company has stepped up hiring new workers.

It has also launched a special investment drive to remove bottlenecks in assembly operations.

Along with its Audi subsidiary VW has been making a strong profit showing this year with its half-year earnings exceeding the total for the whole of last year.

The U.S.-owned mass production carmakers in West Germany, Opel (the General Motors subsidiary) and Fordwerke, have been wrestling with major problems, in the wake of their heavy losses last year. Their position in world trade is difficult by the prospect in the domestic market coming on top of the already intense competition and pressure on margins.

Porsche, the elite sports car maker, reported a further big increase in sales revenue in its financial year ended in July.

Although it did not disclose its earnings at that stage, it benefited strongly from the surge in sales in the U.S. (its biggest market) and from the high dollar.

Overall, West Germany could turn out a record total of more than 4m cars this year, if the industry's expectations are fulfilled. Exports have been taking more than 60 per cent of car production this year, offsetting the disarray in the local market.

Although the prospect of "windfall" profits from a high dollar have been receding, the industry has been looking with more optimism to the home market, as well as to other European markets.



Daimler-Benz Mercedes car assembly line at Sindelfingen, near Stuttgart.

The company is broadening its technological base

Controversy over Kalkar fast breeder reactor

Nuclear energy issue

JOHN DAVIES

COULD West Germany simply abandon a project built over 12 years at a cost of DM 6.5bn (\$2.46bn)? Critics of the fast breeder nuclear reactor at Kalkar have been arguing for just that.

The controversial nuclear project is on the verge of completion. If the authorities give the final go-ahead, the reactor could soon take fuel supplies and begin producing electricity.

But Kalkar has become a highly emotional word and the project is well and truly caught up in political manoeuvring. Experts doubt whether the critics can really stop the project now that it has gone so far, but delays and legal wrangling could be shaping up.

Nuclear projects have already provided a fruitful source of activity for lawyers and accountants in West Germany over the years. There have also been violent clashes between police and anti-nuclear demonstrators, at times at construction sites.

Even so, nuclear power has made a lot of headway and has become a substantial source of the country's energy supplies. France and Belgium have gone even further, but West Germany nevertheless meets about a quarter of its electricity needs from nuclear power.

West Germany now has a network of 16 nuclear power stations, plus three experimental plants, and further projects are underway; but there is still an undercurrent of opposition which continues to create

problems for the nuclear industry.

Opposition to nuclear power helped to give rise to the Greens, the environmental political movement, which has representatives in the Bundestag in Bonn and in some state parliaments. What is more, anti-nuclear sentiment has gained ground within the Social Democratic Party (SPD) in recent years.

Much of the opposition at the moment is being directed at projects labelled as potential pillars of a plutonium economy. These projects include the nuclear fuel reprocessing plant to be built at Wackersdorf in Bavaria and the fast breeder reactor at Kalkar.

The Kalkar project has gone ahead step by step under the aegis of the local SPD Government of the state of North Rhine-Westphalia, but in recent times state politicians have been steadily distancing themselves from it.

Support in Bonn

State authorities are responsible for overseeing and approving various stages of the construction project but nuclear experts point out that even if the state refused to give the final go-ahead, the Federal Government could intervene to ensure Kalkar started up.

For the state government, Kalkar is a stinging nettle. It cannot simply switch ground without preparing a case but it has been making clear that it has a lot of doubts about the project.

While strands of opinion in the SPD are firmly against Kalkar, some politicians are obviously manoeuvring to put responsibility for Kalkar's start-up firmly on the shoulders of the Federal Government in Bonn.

Considerable doubts about Kalkar have been voiced by Herr Johannes Rau, the SPD Minister and also the likely SPD candidate for Chancellor in the West German federal elections to be held a little over a year from now.

He has queried whether the fast breeder reactor, which would virtually keep creating its own fuel, can be run economically. "Is it really safe?" he also asks. And what exactly will be done with radioactive waste from the fast breeder?

On top of that, he points out, there are no longer fears of a world scarcity of uranium for reactors.

The nuclear industry has responded by arguing that Kalkar, backed by private investors, is a significant technical project and that West Germany's standing abroad would be damaged if it failed to go ahead. After all, the Netherlands, Belgium and Britain have been involved in the project.

Experts argue that stringent safety precautions have been taken. They also point out that broad agreement has been reached with France about handling fast breeder waste.

The whole question of nuclear fuel has been under much discussion in West Germany. With the network of power stations building up, so too is the output of spent nuclear fuel, as well as various kinds of contaminated waste.

Should this spent fuel be reprocessed for further use or should it be stored permanently, presumably deep underground? Should it stay in West Germany or go to France, China or elsewhere?

France and, to a lesser extent, Britain, have agreed to take spent nuclear fuel from the West.

West Germany for reprocessing.

In addition, West Germany has decided to build its own reprocessing plant at a cost of DM 5.2bn at the old Bavarian mining village of Wackersdorf.

This plant is due to start up in the 1990s but will not be able to reprocess all of the spent fuel produced from German power stations in the future.

It is expected, however, to strengthen the hand of West German electricity utilities in negotiating the terms for using reprocessing facilities abroad.

The SPD has come out in favour of permanent storage of spent fuel rather than reprocessing which it rejects basically because of its association with plutonium.

For this reason the SPD is lending its weight to a campaign to stop Wackersdorf going ahead.

Opponents of the project have already staged protests in Wackersdorf and Munich and Britain have been involved in preparing to mount further protests.

In the meantime, what about China? The Bonn Government at first brushed aside suggestions that it might allow spent fuel or nuclear waste to be sent to China. Electricity utilities, too, professed to be fairly unenthusiastic.

The Chinese have evidently been gaining some ground, however, and experts have been seriously weighing up the possibility of some material being despatched to China, perhaps on a trial basis.

The Chinese have been keen

to build nuclear power stations and Kraftwerk Union, the Siemens subsidiary, has been vying strongly for business.

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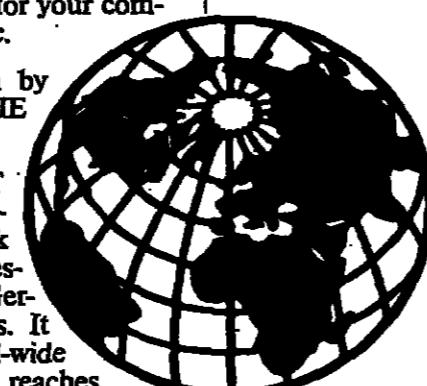
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West Germany 10

Powerful newcomer will sharpen competition

Aerospace

RUPERT CORNWELL

WEST GERMANY's aerospace industry, reduced to nothing after the last war, still ranks a distant third in Europe, behind those of Britain and France. But in the last few months it has acquired a hugely powerful newcomer, whose arrival could sharply charge its longer-term prospects.

The newcomer is Daimler-Benz, the car, bus and lorry-maker which is the country's fifth largest industrial concern. In the space of two months earlier this year it has acquired twice to scoop up a outright control first of Motoren-und Turbinen-Union (MTU), the dominant West German aero-engine manufacturer, and then of Dornier, the family-owned aircraft producers.

In doing so, it created a second concentration in the industry to challenge Messerschmitt-Bölkow-Blohm (MBB). Admittedly the two purchased - for an estimated sum of some DM 1.6bn - will still leave the Daimler concern a stable a long way behind MBB, with its annual sales of over DM 5.7bn.

"Nothing much is likely to change in the short term," comments Herr Arno Schmitz, of the German Aerospace Industries Association in Bonn. But from a longer view point, the injection of the financial and managerial resources of Daimler-Benz into Dornier can only help build the latter into a potent and - many would say - needed competitor to MBB.

It will also give extra edge to the not always friendly high-tech rivalry between Bavaria and Baden-Württemberg, the two boom states of the German south. MBB has long been a particularly favoured child of Herr Franz-Josef Strauss, the powerful CSU leader, Premier of Bavaria, amateur pilot and an aerospace devotee of long-standing.

Dornier and above all Daimler-Benz on the other hand are based in Baden-Württemberg, the fief of Herr Lothar Späthe, the state's CDU Prime Minister, whose ambitions equal

Tornado more or less certain to stretch beyond the original date of 1989, thanks to the first, long-awaited, export orders. But thereafter?

Both MBB and Dornier are bound to be involved in the planned European Fighter Aircraft (EFA), to be developed by Britain, West Germany, Spain and Italy. But the EFA will not be flying until the mid-1990s.

It is also a smaller aircraft than

Tornado, and will therefore not provide as much work. MBB is aiming to take up most of any slack through its non-aircraft activities, including helicopters

(and the Franco-German PAH-2 anti-tank helicopter project), high speed transport systems, and space, through its MBB-Erno subsidiary.

Today, according to Herr Schmitz, space-related business provides 4,300 jobs directly, and 8,000 if R and D and other ancillary activities are included. But

for all its hi-tech glamour, government backing and the transition from the experimental to the commercial stage (on October 30 the U.S. shuttle Challenger will lift off with a

virtually German Space-lab on board), Bonn's space programme is unlikely to be a major supplier of jobs.

For its part also, Dornier is evolving rapidly. The Franco-German Alpha-Jet trainer programme is close to the end of its life, but the company is active in the U.S. space-lab and European Ariane projects, as well as the future EFA, and is a major contractor in the European remote sensing satellite (ERS-1) programme.

It is also responsible for the DO-228 general transport aircraft, of which 10 have been sold, and a further 23 taken on option. The plane moreover will be built under licence in India.

It is a measure of the limitations of the country's aerospace industry that the DO-228 is the only sizable aircraft which is a purely German venture. But there are sound historical and practical reasons for the shortcoming - if such it is.

Between 1945 and 1955, German aerospace to all intents and purposes did not exist. Then the old pre-war names began to regroup, mostly into MBB. But the delay, and the obstacles represented by wartime economic and Allied restrictions meant that the sector was in no position to catch up with Britain and France.

Germany has bought its ticket to the top table of the international industry by sharing in joint ventures which in any case had gradually become the only practical means of launching major projects. But the device serves another purpose too.

If military equipment now accounts for 50 per cent of aerospace business, that is not least because shelter within multinational ventures allows German manufacturers an access to foreign sales which the tight restrictions on arms exports here would make impossible. were the country acting on its own.

The recent contract to supply 72 Tornados (in which the German participation is 42.5 per cent) to Saudi Arabia is a case in point. The deal went through with comparatively little difficulty - unlike the hornet's nest stirred up by news of a possible delivery of a munitions plant to the same country, just a few days later.

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Recovery follows years of losses

NEITHER West Germany's steelmakers have developed to a fine art the practice of putting the worst possible face on to the best possible news, or they really are, as they claim, a healthy and vibrant species faced with an extinction as rapid and mysterious as the dinosaur.

After a miserable few years, culminating in widespread losses in 1983, all the major producers recovered last year. Thyssen turned a 1983 loss of DM 416m into a DM 176m profit in 1984. Krupp, Stahl, which lost DM 287m in 1983, made DM 21m last year. Hoersch improved its operating profit from DM 31m to DM 182m, and plans to pay its first dividend since 1976 next year. Klöckner-Werke lost DM 139.7m in 1983-84, broke even (though its steelmaking division continued to lose) in 1983-84 and expects to have made an operating profit for its 1984-85 year, which ended on September 30.

Total West German crude steel output rose 10 per cent to 39.4m tonnes last year and will rise to just over 40m tonnes this year. Exports rose 17 per cent to 12.5m tonnes in 1984 and will reach 14.2m tonnes over the next two months. Utilisation of steelmaking capacity (a difficult measure in the steel industry) is said to have risen to 76 per cent this year from around 70 per cent in 1984.

The steelmakers, however, are not to be found chortling over their balance sheet and production figures. Instead they are to be found on platforms railing against government "soft-headedness," in the European court complaining about subsidies, pounding tables in Brussels in an effort to stop moves to liberalise the heavily regulated European steel market and worrying among themselves about protectionism in the U.S.

Steel

PETER BRUCE

Being mostly public companies and not like many of their European competitors, state-owned, the Germans all live with the same nightmare - high subsidies in France, Italy and Belgium make it difficult to compete fairly. The government in Bonn, despite an apparent ideological aversion of state aids, approved a "final" injection in March this year of DM 9bn in subsidy to these countries through the European Commission; that same commission is now trying to lift production (and in some cases even price) controls on structural steels, wire and coated sheets which the Germans say would encourage subsidised producers to raise output and cut prices.

Is there any justice. Earlier this month the European court threw out a complaint by West Germany about the way the commission has been authorising subsidies of the countries' competitors.

Even more worrying must be the fact that while there is growing evidence of a broad recovery in the domestic economy here - after two years in which gross national product growth has been almost entirely due to a dollar-led export boom - domestic consumption of steel is hardly rising.

While the motor industry is heading for probably another year of record profits, carmakers are also using lighter steels and any value-added advantages to the steel producers are being squeezed by imports. And the construction industry, the most important steel consumer, remains in crisis and is only taking part in the recovery to the extent that the three-year planning of construction orders has slowed slightly. Steel imports, about 40 per cent of total consumption, continue to rise, by about 3 per cent this year to 9.8m tonnes.

The steelmakers, however, claim to have done all they can to cut capacity and meet the real demands of the market. Capacity has been cut by 8.3m tonnes from 53.1m tonnes in 1980 - more than demanded by the Commission as it implemented its long-running regime designed to stage a managed rundown of capacity throughout the European community. Producers say the remaining gap between available domestic capacity - 46.5m tonnes - and production would quickly be reduced if EEC steel subsidies were cut off (as planned in 1986) and the Germans could then be given the same access to other European markets as is allowed in Germany.

But that is probably not how the real world will unfold. West German producers believe they face subsidised competition for years to come and the truth is that they are not doing too badly in spite of it. And they will survive. Even Arbed Saarstahl, the cripple of the domestic steel industry, is showing signs of life, after having more than DM 300 pumped into it in the last eight years.

Fresh attack on Japanese in electronic control techniques

Machine tools

PETER BRUCE

ABOUT A YEAR ago, West Germany's machine tool industry took out a series of advertisements in newspapers across the nation to announce, in effect, "We're back."

At first sight, it was an eccentric thing to do. The country had for years been one of the great machine tool producers in the world, and it remains the world's biggest exporter of machine tools.

What shocked the Germans was the sophistication of electronics in the Japanese machines. "It was overwhelming," says Herr Helmut Maeschke, chairman of Ingelsdorf's manufacturing operation. "I think the West German machine tool industry has overcome the problem very fast."

Herr Betz says the Japanese did two scary things: they started first with a new control system and then introduced CNC controls but more importantly, they introduced a much greater proportion of in-line testing during production. Where most European producers would deliver a machine to a customer and then spend a month getting the bugs out of the system, Japanese competitors were able to deliver and walk away.

Squeezed between an onslaught on its domestic and international markets by Japanese producers, and a dearth of orders at home, the industry had to do more. Job losses in 1982 and 1984, about 30 manufacturers are thought to have been swallowed up by competitors or disappeared altogether. Until last year, most of the industry was making exports.

But a machine tool producer would be in the wrong business if the industry's traditionally stomach-churning business cycle proved too daunting. What was different this time was a sharp attack by the Japanese, particularly in computer numerically controlled (CNC) lathes and machining centres. The story of how the Japanese invaded Europe with mass produced, cheap, reliable, colourful machines towards the end of the 70s is an old one. The fact that they scared the Germans, who in the main concentrate on specialised machines with small markets and, hence, small volumes, has been stoically hidden.

The reaction to the Japanese has also transformed many of the companies. Scharmann used to be a fairly dull producer of conventional boring machines. It first tried to meet the Japanese head on by converting, through the application of new electronics, a range

of boring mills to machining centres. "It was a failure," says Scharmann's sales manager, Herr Helmut Maeschke, "but it changed us."

Scharmann has now devoted itself to building flexible manufacturing systems and, in common with the technology it is selling, the salesmen too have undergone an almost complete change. "We're looking for risk takers," says Herr Maeschke. "We're deliberately looking for top grade customers."

Apparently the report contains an answer, but it, and its recommendations, remain secret.

"We told Neil Bamford (of JCB), 'If you go for this system it will make your career. We won't let you down,'" says Herr Maeschke. "The Germans have never sold machine tools like that before."

The hard work, pain even, past 18 months that much sweeter. Incoming orders for machine tools rose 34 per cent in 1984 to a total of DM 11.1bn but that performance was largely export-induced. This year, however, orders are up 50 per cent again, and the cheering news is that, while exports are still up (60 per cent on last year), the domestic market has suddenly taken off. Home orders have risen 36 per cent so far in 1985.

Capacity utilisation in the industry, already at a high 84 per cent last year, currently stands at nearly 95 per cent. Herr Van Kempen says Traub's order book is full for the next 12 months and, like many others in the industry, he is now finding it difficult to expand capacity and find new people. The boom, he says, will probably begin to fade in 1987.

Having been caught out at being the best manufacturers of machine tools wanted to buy, the West Germans are largely unlikely to find themselves in the same predicament again, at least in the foreseeable future. "We are watching the Japanese," says Herr Maeschke, but like many of his colleagues he believes the threat from the east has been overcome. German producers claim the Japanese simply cannot compete with bigger machines and consequently lower volumes. Of British and other European competition there is simply no discussion.

That may be complacency, and there does remain a high element of risk in the business. "You have to do your homework," says Herr Babel, "but you also have to be a bit lucky."

Lively reaction

Herr Simon van Kempen, chairman of Traub, one of the country's biggest turning machine producers, remembers that his company was making a world-beating 60,000 automatic lathes a year when the new electronics began to appear.

Traub's reaction, faced with a potentially fatal threat to its export business, was typical, at least in its speed. The group invested DM 10m five years ago in the development of a new machine, the TND 360 and began funding private research at a university close to its headquarters, near Stuttgart. Ironically, it teamed up with Mitsubishi to develop a new control which would leapfrog its competitors.

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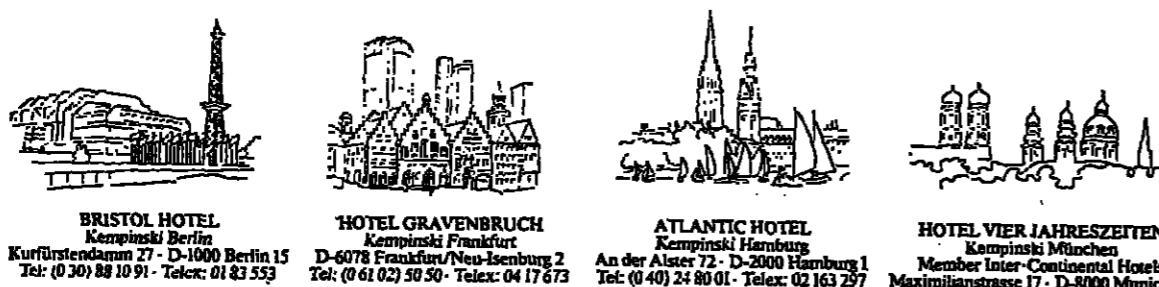


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**Frankfurter Allgemeine
Zeitung is read
by more decision makers
in business and
administration than any
other German daily
and economic newspaper.**

Frankfurter Allgemeine

Source: Readership analysis of decision makers in business and administration '85

Setting fashion trends

RISK-TAKING is the essence of style. Mary Quant did it in the Sixties. So did Andy Warhol. The Parisians do it. So do the Milanese. But what about the Germans?

The young trendies of West Berlin and Munich take risks in parading the outlandish styles known as street fashion. Bavarian men take risks, but Lederhosen have never caught on for men.

That is not to say, however, that successful fashion has to be outrageous. Several West German companies have proved the point. In fact, West German success in the rag trade has been partly because the industry offers no-risk products designed to sell in volume, rather than to shock or titillate.

Among West Germany's biggest clothing manufacturers, Escada, Mondi and Stalmann do little to disguise the fact that they go for solid, rather than eccentric, styles. Their products are tailored to suit the market as it is today, not as it might be next season.

Nonetheless, the progress made by German fashion, at home and on world markets in recent years, can take some of the credit for helping to pull the country's textile industry out of the doldrums.

The industry began to show real signs of recovery in the second half of the 1970s, at about the same time as the world's fashion experts began to take more than a passing interest in what was on offer at the fashion houses of Berlin, Hamburg, Munich and Düsseldorf.

Of course, the industry has done much of the hard work itself. It has shed thousands of jobs and automated extensively, but it acknowledges that fashion designers have played an important part in what has been achieved so far.

Turnover in the textile industry has risen slowly over the past 15 years, from DM 25bn (US\$4.6bn) in 1970 to nearly



A taste of India from Manfred Schneiders summer 1986 collection (left) and a double-breasted suit (right) by Hugo Boss

DM 35bn last year, up 5.7 per cent on 1983, and a marked improvement after five virtually flat years.

Herr Jörg von Netzer, head of international affairs at Gesamttextil, the West German textile federation, says that while the market overall remains sluggish, "fashion is an area where we can look for growth because it is always changing. We had great hopes for the golden age of chemical fibres, but that is now on a decelerating curve so we have to look elsewhere."

One of the major problems facing the industry, according to Herr von Netzer, is the decline of German textile design abroad.

Imitation, of course, is the sincerest form of flattery, and it is ironic that designers in Italy, the home of imitability, style and good taste, are apparently among the copycats—a point Herr von Netzer would doubtless like to make to Hugo Boss, a fast-growing fashion company based in Metzingen, near Stuttgart, and the place to go if one is an upwardly mobile executive looking for understated style.

The company was set up in 1923 by Hugo Boss, who began by making men's workwear and boys' clothing. Today it is run by Boss's two grandsons, Jochen and Owe Hoh, both in their early forties and more inclined towards Italian chic than workaday overalls.

Hugo Boss has regular trips to Italy to keep an eye on the fashion there, and it imports 30 per cent of its material from Italy. Herr Gerd Flondorff, head of Boss marketing, says that West German textiles are not fashionable enough to suit the company's style.

We would like to buy more

in West Germany because the industry here is more reliable, but the textiles are generally two or three seasons behind our actual performance.

Women's fashion in West Germany remains, for the most part, deliberate in its coordination and carefully-formed lines, aside from the work of a few of the country's top designers, who are beginning to change some of the country's poor

image.

Manufacturers like Nino, Stalmann, Mondi and Escada, and the industry as a whole, who disputes the extent of the fashion time-lag, concede that the domestic industry must do more if potential customers like Hugo Boss, which buys around 3.5m metres of material a year, are dissatisfied with the home product. Nevertheless, he adds that German industry "has done quite a lot in the way of design. The fact that we are world copying is a sign of that."

One of the problems, according to Herr Wolfgang Ley, president of the German Fashion Institute, and chief executive of Escada, is that West Germany's image fails to reflect its per-

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Two pillars of publishing

MENTION the name of the late Axel Springer well west of West Berlin, and the chances are that people will say him at once what you mean.

But if you talk about Reinhard Mohn you may well get a blank stare. "Reinhard who?"

At first glance this seems odd, even unfair. Both Springer and Mohn helped to create the post-war "economic miracle" in West Germany and in some respects they personified it.

Both men built up highly successful publishing empires. Indeed that of Mohn, the Bertelsmann group, has emerged as much the larger of the two.

In most other respects, however, the contrast between Springer and Mohn could hardly be greater.

Springer, who died in September at the age of 73, was a passionate conservative whose political convictions were vigorously often stridently voiced by his newspapers. In principle, much of what he stood for looks unexceptionable—the peaceful reunification of Germany, the rejection of totalitarianism and support for a social market economy.

For Germans, Springer was as much a symbol of hope as of a man with as much dedication as Springer to promote reconciliation with the Jewish people. In practice his views brought him into fierce conflict, above all with the rebellious Leftist young of the late 1960s and with the Ostpolitik of the Social Demo-

crat-Liberal Government in the 1970s.

Yet his opponents saw him as a "cold warrior," reactionary and materialistic.

Ironically, when the young

Axel Springer began work amid the bombed ruins of Hamburg just after the war he was no political missionary. Indeed, he seems to have been almost apolitical.

His first success came when the occupying British forces gave him a licence to publish a radio programme periodical. It was *Hör Zu* (Listen In), now a

family magazine as well as a television and radio guide with a weekly circulation of 3.5m.

In media terms Springer effected a revolution in 1952 with his *Die Welt*—a tabloid periodical such as the Germans had not had before, with lots of pictures, big headlines, little subtlety and huge drawing power.

Today it sells 5.3m copies daily.

But it was only with the acquisition of the newspaper

in West Berlin, a gesture of defiance to the Communists (it is close to the inner wall dividing the city) and a symbol of his hopes for a future united

Germany.

For all his business and

political setbacks as well as personal tragedy (his son took his own life five years ago), Springer has left a group owning some of Germany's best-selling publications and with a turnover last year of DM 2.4bn.

Bertelsmann, the house that Reinhard Mohn built up, is far bigger. Indeed, it is one of the world's largest media concerns, with 1983-84 turnover of nearly DM 7bn and net profits of DM 282m. It employs about 32,000 people in more than a score of countries and this year has organised concerts and conferences to celebrate its 150th anniversary.

Yet Mohn, who with his

family owns nearly 90 per cent

of Bertelsmann common stock,

remains something of a mystery man. One reason is that, unlike Springer, he is not a newspaper magnate.

Bertelsmann does almost

everything else you can think of

in the media—books, records,

video, satellite TV, and through

its subsidiary Gruner und Jahr, a

popular magazine like *Stern*.

Taking over a modest

business which began as a

series of hymnals and prayer

books, Mohn (a fifth-generation member of the founding family) reformed the company's

19-storey corporate head office

hierarchical structure and generated astonishing growth.

Decentralisation of decision-making, a扁平化 (flat) structure and a generous scheme of benefits are all part of Mohn's strategy over more than three decades.

Sometimes the group almost fell over itself in its helter-skelter progress.

But consolidation (as in the early 1980s) soon gave way to another leap forward. Following his own retirement, Mohn stepped down as chairman of Bertelsmann in 1981; but he keeps a keen eye on the business as head of the supervisory board.

What is likely to be the future of these media groups which have been so decisively formed by the decisions and drive of two individuals?

Shortly before he died Axel Springer made a plan which partly opens his group to public ownership while continuing to safeguard its independence: 49 per cent of Springer's DM 170m capital has been placed in the form of "registered shares" with approved buyers, who can sell their holdings only with the consent of the group.

The master company, Axel Springer Gesellschaft für Publizistik, holds 24.1 per cent of the capital and the Burda publishing company another 24.9 per cent. That structure indicates a continued editorial thrust in the main group publications such as Springer would have wished—for a time at least.

Spreading the word world-wide

MARK TWAIN is probably not the only person to have grappled with the German language and concluded that to read and understand it "must always remain an impossibility to a foreigner."

The complexities of its grammar, coupled with a jungle of rules governing the use of capital letters (78), hyphens (50) and commas (about 100), make German perhaps one of the least enticing to learn as a foreign language.

Even Goethe, a major influence on German linguistic development, is reported to have preferred reading his own works in French in the latter stages of his life, because he found it easier.

Goethe's name, notwithstanding, is today at the forefront of a campaign to revive the use of the German language worldwide, or at least to halt the decline in its use. Such is the concern in West Germany, that Chancellor Helmut Kohl ordered a special report on the subject earlier this year, after promising in his 1983 inaugural speech, to "undertake new efforts to make the German language more widely known abroad."

Part of the offensive involves the teaching of German to thousands of foreigners all over the world. The Bonn Government last year provided

not using them at all), is the sentence "Ich habe in Berlin *Liebe Genossen*" meaning "I have dear comrades in Berlin."

With the capitals (Liebe and Genossen), as opposed to Bonn and Berlin, one has "Ich habe in Berlin *Liebe Genossen* or "I have enjoyed love in Berlin."

The capitals question remains unresolved. The East Germans are thought to be ready to give them up, while the West Germans have yet to make up their minds.

Meanwhile, the teaching of the language as a whole, continues to decline abroad. In the past 15 to 15 years, school curricula reforms in western Europe have put less emphasis on the arts, including language, and more on commercial and technical schooling.

German is still the native tongue of 90m people in Europe, although the number is falling. About 15m children and students worldwide learn German as a foreign language, while in 1979, the figure was nearer 17m.

In the US, only 1.3m out of 40m citizens of German descent, still speak German. Among US high school students, about 2m study Spanish, 1m French, and about 300,000 German. In the UK, around 75 per cent of O-level language students take French, while about 20 per cent take German.

According to the latest available figures, 155,000 UK students took a French O-level in 1983, and 48,000 took German. The gap narrows slightly among A-level and university students, and a growing number of adults take up German later in life, often for professional reasons.

The concern in West Germany is not a straightforward matter of how many foreigners can speak German. The Bonn Government would like the teaching of German abroad to help create a sympathy with Germans and to foster a high regard for the country as a cultural and industrial centre—the latter being based on the assumption that people who speak German are more likely to buy German.

But it can take little comfort from the words of Mrs Herta Stephenson, president of the U.S. Association of Teachers of German, who remarked recently that "German is not a kind of latter-day Latin."

However, that view is probably less alarming than the conclusions drawn by Mark Twain, who would have delighted in the story that Emperor Charles V, who presided over the most tongued Spanish empire 400 years ago, spoke Spanish to his wife, French to his cook, Italian to his mistress and German to his horse.

Even then, however, the Germans themselves were not immune from the sheer horribleness of some of their grammatical constructions and the linguistic tricks many foreigners believe are designed to confuse them.

An oft-cited example of the

trouble one can get into by

using capital letters in the

wrong place (or worse still, by

not using them at all), is the sentence "Ich habe in Berlin *Liebe Genossen*" meaning "I have dear comrades in Berlin."

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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Monday October 28 1985



EURONOTES AND CREDITS

News International launch splashes out

BY PETER MONTAGNON IN LONDON

MR RUPERT MURDOCH'S News International has made a splash in the Euronote market with the launch of a facility adding \$320m to the \$350m deal signed last year.

Launched last week through Citicorp, the borrowing is designed to finance Mr Murdoch's acquisitions already announced, of Twentieth Century-Fox Film Corporation and Metromedia, the U.S. television network.

In striking contrast to many recent offerings in the Euronote market, the deal also bears a generous facility fee of 20 basis points, the same as that on last year's borrowing. Other terms are unchanged in the maturity of 1983 and margins on the backstop credit of 30 basis points in the first four years, rising to 40 points thereafter.

The difference is that an option to issue Euronotes has been added which will now apply to the former deal as well. Previously News International was able to raise funds under the facility only by calling on banks to bid for short-term advances.

The change testifies to the speed with which the Euronote market has developed in just one year. When it launched its original \$300m deal, News International would not have been regarded as an eligible name for the Euronote market. Now it clearly is, although it will still be depending mainly on banks to buy paper sold under the deal.

Mr Murdoch's deal has in any case done the market a great favour by distracting attention from the conscience struggle banks have been having over two much more finely priced operations from top-rated international names - Broken Hill Proprietary, the Australian resources and energy group, and British Petroleum.

In BHP's case enough banks have now given in to ensure that the \$700m standby portion of its \$1bn swap deal is now fully subscribed despite its low commitment fee of just 4 basis points. Interest from U.S. banks is thought to have been lim-

ited, however, while perhaps as much as half the total has been taken by Japanese institutions.

BP will have to wait until banks submit offers for its \$6.5m total financing on November 1 before it knows its fate. It is arranging the deal itself, which makes a subtle psychological difference from BHP, bankers say. In BP's case banks are having to set their own terms through a bidding process which most assume will produce cut-throat conditions. That is harder for a bank to do voluntarily than allowing itself to be dragged into an established deal with pre-set terms.

Elsewhere, the market is barely tickling over a limited number of smaller deals including a \$125m facility, also led by Citicorp, for Nokia, the Finnish industrial corporation. This seven-year deal includes a \$50m revolving credit facility bearing a commitment fee of 1/4 per cent and a margin over Libor of 13/4 basis points.

Under the facility Nokia will be able to issue Euronotes, short-term advances and sterling bankers' acceptances for which Seacome Marshall, the discount house controlled by Citicorp, will act as discount agent, producing a new synergy within the group.

Korea Development Bank is to be the next borrower to tap the Euronote credit market with a \$700m deal bearing interest at a margin of 1/4 per cent for four years and 1/2 for the next four. These are slightly finer terms than on Korea's previous borrowing in this market, a concession which is thought to reflect the very fine conditions wrung out of the market by Thailand on a \$700m deal last month. The deal was due to be mandated to a group of 10 co-ordinating banks in Hong Kong at the weekend.

Vneshtorgbank, the Soviet foreign trade bank, is also back in the market with a \$100m, eight-year credit led by Credito Italiano. The credit bears a margin of 1/4 per cent over Libor for eight years.

INTERNATIONAL BONDS

Many sectors troubled after volatile week

BY MAGGIE URRY IN LONDON

LAST week's volatile activity in the bond market left one dealer commenting, "Well, I wouldn't call it a splash by Japanese institutions."

By the weekend most currency sectors of the market were looking in poor shape - U.S. dollars, Canadian and New Zealand dollars, D-Marks and worst of all, Euroyen.

The fall in the Euroyen market followed the sharp drop in the Tokyo government bond market towards the end of last week.

Traders arrived at their desks on Friday morning to find turmoil, and most of the 22 market-makers decided not to open their books that day. Only six or seven houses were trading at all.

There was some criticism of the other firms. "They should have been trading to demonstrate that there is some maturity in this market," said one dealer.

The ripples from the Euroyen market spread outwards, further unsettling other markets. The Euro-

dollar sector was hit on Friday as the New York bond market opened weaker, and new issue prices dropped by half a point.

Even the good deals, for top-quality names like IBM and Unilever, were suffering although still trading within fees. However, these had shown that there was demand for such names.

Only the floater market was doing well, and on Friday four issues were launched, of which three were increased. Three were for U.S. banks, and investors can expect a lot more paper from this source as the banks move to improve their capital ratios. The question is whether the market will tire of the surfeit. The issues for Great Lakes and Chase Manhattan both used the delayed cap idea, where a maximum coupon in each case of 13/4 per cent, comes into play after three years. There is demand for such issues, but it is limited.

Citicorp's deal was last to appear

pushing it a bit far this time," said one syndicate manager.

Swiss bankers have had plenty to think about since M. Pierre Langstein of the Swiss National Bank dropped his bombshell last week. If the National Bank does decide to allow non-Swiss domiciled banks to lead Swiss franc bond issues - in effect opening a Euro-Swiss franc market - the Swiss banks could suffer a severe loss of business, even if commissions were not forced down.

Judging by the recent activity in swap-driven Swiss franc bonds by U.S. borrowers, there could be more than sufficient mandates for non-Swiss based banks. However unless those banks can develop placing power of their own, they will have to rely on the Swiss banks for distribution.

The oversupply of new paper in the Swiss franc market has caused weakness in the secondary market, although it seemed to be stabilising.

It made its first public bond issue in Switzerland on Friday, picking Soditic to launch a 20-year zero coupon deal.

The D-Mark market has continued to shudder under the weight of new issues with another six deals totalling DM 1.515bn coming last week. Traders are now beginning to worry what the November calendar could bring if banks do not exercise some restraint in putting deals on the list. The secondary market fell by around two points on average last week, with some new issues dropping by as much as four points.

Morgan Guaranty's debut as a lead manager in the market with R.J. Reynolds could not have come at a worse time, but the issue was seen to be holding within 1/2 per cent of the Eurosterling floater market.

The learning curve has been steep and lead manager Warburg seems to have hit the right combination with a 1/4 margin over London interbank offered rate with lower front end fees and a fixing of the first coupon.

TI faces gloomy future

BY LOUISE KEMOE IN SAN FRANCISCO

TEXAS INSTRUMENTS, the U.S. semiconductor manufacturer, took another bruising fall last week with the announcement of huge third-quarter losses, more layoffs and plant closures as the company's new president embarked on a series of "strategic reviews."

Announcing third-quarter losses of \$83m, Mr Jerry R. Jenkins, president and chief executive, provided a grim view of short-term prospects for the largest U.S. chip maker.

"The extended period of market weakness has resulted in the steady decline of TI's semiconductor sales," Mr Jenkins said. "TI's sales had fallen faster than those of most U.S. chip makers, he said, "because of product and geographic reasons."

TI's computer operations, which represent about 30 per cent of revenues, also suffered. The company's range of office automation products did not stand up well to competition. Shipments for the first nine

months of 1985 were below year-ago levels.

In an effort to make its business personal computers profitable, TI consolidated its Texas operations from four to two sites, at a cost saving of \$70m a year.

Its traditional geophysical operations in oil and gas exploration broke even during the third quarter following earlier cuts in this division.

Cost reductions from the closure of an assembly and test operations in El Salvador, a chip production plant in Houston, Texas and a computer operations plant in Texas, "will not return the company to profitability in the short term," Mr Jenkins said.

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Noranda loss cut by disposals

BY BERNARD SIMON IN TORONTO

ASSET disposals contained the third-quarter loss of Noranda, the debt-laden Canadian mining, forest products and industrial group, to C\$30.6m (U.S.\$22.5m), or 33 cents a share, compared with a C\$38.4m loss, or 37 cents, a year earlier.

The sale of Noranda's 31 per cent stake in Placer Development, the Vancouver-based mining group, contributed to investment income of C\$15.3m in the latest period.

On the other hand, the company said it had provided C\$15.6m before tax for the reduced value of certain allied enterprise assets. Revenues rose from C\$74.6m to C\$78.2m.

Depressed metal prices were the chief cause of the third-quarter loss, and interest payments totalled C\$8.4m.

Sales were down for the third quarter from \$1.4bn last year to \$1.2bn and significantly reduced for the first nine months from \$4.2bn to \$3.7bn.

cent of levels a year earlier. Manufacturing operations were also in the red, as depressed aluminum prices offset improved earnings from copper fabrication.

Forest products were "marginally profitable." Noranda has a 39 per cent interest in the West Coast timber producer Macmillan Bloedel.

Noranda, which has debts of about C\$2.7bn, predicted further losses in the current quarter but said that these might be offset by the proceeds of more asset sales.

The Canadian nickel producer Falconbridge reported almost unchanged earnings of C\$1.7m, or 9 cents a share, in the three months to September 30. Revenues rose from C\$175m to C\$206m, due mainly to larger purchases of nickel from outside sources.

Third-quarter income was depressed by low nickel prices and by

"other charges" of C\$6.6m, including the cost of layoffs at the company's facilities at Sudbury, Northern Ontario.

• Alcan Aluminium, fighting continued low profits and an uncertain outlook for aluminium prices, has cut its quarterly dividend from 30 cents to 20 cents.

The reduction was widely expected in the industry. Last week Alcan reported third-quarter earnings of \$7m, or 7 cents a share, against \$5.2m, or 5 cents a year earlier.

Nine-month earnings were \$22m, or 22 cents, against \$23m, or \$2.39, a year earlier.

All large North American aluminum producers have reported a similar drop in profits this year, mainly because of low ingot prices, surplus capacity and the high U.S. dollar. Domestic demand, however, has remained relatively strong.

This announcement appears as a matter of record only.

SEPTEMBER 1985

U.S. \$100,000,000



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INTL. COMPANIES & FINANCE

SGS broadens its horizons

BY WILLIAM DULLFORCE IN GENEVA

SOCIETE GENERALE de Surveillance (SGS) is a successful multinational with such unassuming origins that they put today's anxieties about innovation and the generation of new enterprises into perspective.

M. Henri Goldstuck, a young Baltic refugee who had fled from conscription in the Tsar's army, found work about 110 years ago with a merchant in Rouen supplying oats for smart stables in Paris.

Noticing the losses incurred by poor handling and storage and the lack of quality control, he persuaded his employer to pay him a commission to save him he could realise by putting matters right. Before the First World War he had made enough money to be able to finance the Monte Carlo Rally.

After the war, in 1919, he founded the Societe Generale de Surveillance, in Geneva, with a number of partners. SGS is now the largest privately owned control and inspection company in the world, with a turnover expected to reach \$700m (£700m) this year.

SGS employs 18,000 people, of whom one about 500 work in the office in Geneva. The rest are found across all five continents — the group operates 118 laboratories and 300 offices in 140 countries.

Grains origin still reflected

SGS generated operating income of \$700m from consolidated revenues of \$1.5bn in 1984. M. Marc-André Charruaud, chairman and chief executive hazards a guess that this year's net earnings will exceed the \$61m achieved last year.

The epitome of a services enterprise, SGS offers customers protection against losses by inspecting and controlling the quality and quantity of the goods they buy and their transportation.

In origin in the grains trade is still reflected in the agricultural side of its business, except that it now covers about 250 commodities and products. It supervises their loading and discharge, controls weights, inspects them for cleanliness in warehouses, ships' holds, railway cars and trucks and takes samples to check their quality by analysis in its laboratories.

Agricultural products are just one of four divisions into which group activities are divided. The

other three cover natural resources, industrial and consumer goods, and services in banking and insurance.

The share price recovered quickly and the group demonstrated its strength by picking up new contracts with Ecuador, Indonesia and Mexico. SGS has contracts, with 19 governments, usually for the supervision of imports and exports, but this type of business provides less than 15 per cent of consolidated revenues.

SGS has accelerated its growth and penetration into new geographical and product business areas in recent years. The more aggressive approach is attributed to M. Charruaud.

Consolidated revenues have increased by an average of 12.2 per cent a year since 1979, while operating profit has climbed 16.7 per cent. Earnings per share rose from \$1.25 in 1979 to \$2.15 in 1984, and shareholders have seen dividends grow from an adjusted \$0.20 to \$0.70 during the same period.

Penetration of U.S. market

Close to half present revenues, according to SGS, derive from services which did not exist, or were just emerging, 10 years ago, and most of them are said to provide higher profit margins than older business lines.

A feature of recent expansion has been the penetration of the U.S. market. Before its recent coup in taking over GAB Business Services from UAL in the U.S. last July, GAB had a 1984 turnover of \$1.92m and specialises in damage assessment for insurance companies.

The certificates and inspection reports issued by SGS are recognised worldwide by importers, exporters, banks and government agencies and are frequently essential instruments for claiming payments or opening lines of credit.

In September, 1984 SGS saw the price of its shares dip when it was "sacked" by the Nigerian government, which appeared to result from domestic political

SOCIETE GENERALE DE SURVEILLANCE

For the year ending 1984	
	SwFr
Revenues	1,15bn
Operating profit	178m
Net profit	81m
Balance sheet total	1,18m
Fixed assets	232m
Current assets	950m
Of which cash and equivalents	549m
Shareholders' equity	294m
Long-term debt	327m
Short-term debt	418m

Some Swiss analysts have queried the growing dependence on the U.S., seeing it as increasing

ing SGS's sensitivity to fluctuations in the dollar/Swiss franc exchange rate, SGS also prices its services externally in dollars.

About 40 per cent of SGS's operating profits are generated in the U.S. M. Charruaud points out that all acquisitions have been paid for out of cash flow and that the U.S. operations make up an insulated unit.

The first of two \$50m convertible bond issues floated in 1983 and 1984 were originally intended to finance group investments in the U.S. However, the proceeds of the two bonds have been used to swell extra ordinary financial income.

Another feature of SGS's recent expansion has been its arrival on the Geneva and Zurich stock exchanges. About one-third of stock is registered shares which are mostly held by about 100 descendants of the founding families and managing staff. Union Bank of Switzerland, with about 10 per cent, is the largest single shareholder.

Two-thirds comprise non-voting "bons de jouissance" without nominal value which are traded in Geneva and Zurich. Initially the market base was rather thin, but SGS shares are among the most heavily traded in Geneva.

Last March, interest in the stock was stimulated by the issue to the public of 20,000 registered shares at \$0.78.

M. Charruaud thinks that a payout of 35 to 40 per cent of net profits "seems reasonable" but that the board should not be boxed in. At one time the dividend payment was about half this ratio.

SGS's largest competitors are government-owned agencies — the main privately-owned company, British Petroleum, to move into new fields. M. Charruaud believes the group derives advantages both from its independence and its worldwide spread in goods and geography, which help smooth out trade fluctuations.

The worldwide network also enables SGS to offer customers such as major oil companies service at short notice almost anywhere on the globe.

The group has been investing heavily in laboratories in the past few years, which indicates that its appetite for expansion is not yet sated. M. Charruaud's estimates that, while trade in grains and minerals remains fairly flat, he will be looking for more business in finance and insurance, consumer goods and petrochemicals.



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INTERNATIONAL CAPITAL MARKETS

U.S. MONEY AND CREDIT

Japanese moves cause further uncertainty

THE JAPANESE monetary authorities have added to the uncertainty in the U.S. and international credit markets. U.S. bond markets were doing just fine early last week. In fact prices hit a two-month high on Tuesday, choosing to shrug off the continued uncertainty over the forthcoming flood of Treasury funding, the domestic economy and the Federal Reserve's monetary policy.

But just as the foreign exchange markets began to test the resolve of the central banks to hold the dollar down, the Fed stepped up its buying of foreign currencies and the Japanese monetary authorities delivered a body blow.

The Bank of Japan's moves to tighten short-term credit sent Japanese bond prices into a tailspin and had a dramatic

U.S. MONEY MARKET RATES (%)									
	Last Friday	1 week ago	4 wks ago	High	Low	12-month			
Fed Funds (weekly average)	8.22	8.03	7.86	10.10	7.15				
Treasury bills	7.23	7.15	6.85	8.35	6.57				
One-month T-bills	7.22	7.15	6.85	8.35	6.57				
Three-month prime CDs	7.26	7.22	7.05	8.35	7.33				
30-day Commercial Paper	7.26	7.20	7.05	8.35	7.33				
90-day Commercial Paper	7.20	7.20	7.05	8.35	7.00				

U.S. BOND PRICES AND YIELDS (%)									
	Last Friday	Change Friday on week	Yield	1 week ago	4 wks ago	High	Low		
Seven-year Treasury	101%	-	10.06	10.04	10.30				
10-year Treasury	101%	-	10.62	10.62	10.57				
15-year Treasury	101%	-	10.48	10.48	10.57				
20-year Treasury	101%	-	10.63	10.63	10.63				
New 'AA' Financial	N/A	-	11.50	11.50	11.50				
New 'AA' Long utility	N/A	-	11.45	11.45	11.50				
New 'AA' Long Industrial	N/A	-	10.00	10.00	10.00				

Source: Salomon Bros (estimates). Money Supply: In the week ended October 14 M1 fell by \$6.8B to \$606.1bn.

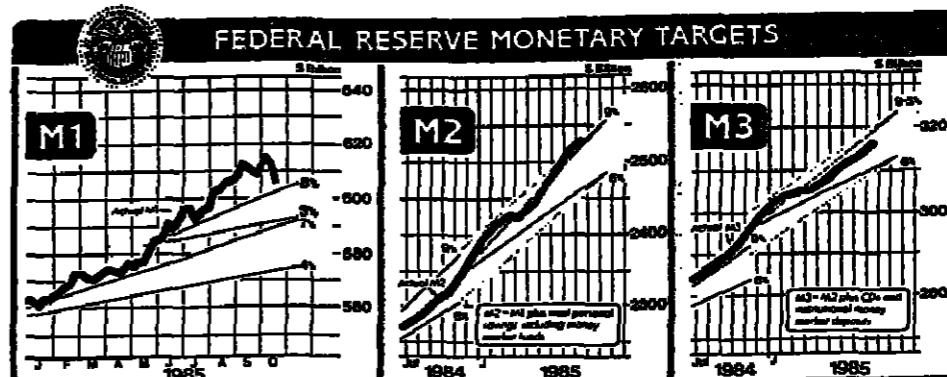
If shortlived, impact on the the yield advantage enjoyed by dollar-denominated securities. The central concern in the over yen instruments—thus reducing foreign, particularly U.S. monetary authorities are believed to have bought at Japanese rates might narrow Japanese demand for U.S. cur-

Treasury issues just at the time when such demand could be crucial to the health of the U.S. markets.

Reflecting this, U.S. bond prices dropped as much as 4 points in early Friday trading, largely because of big overnight selling orders from Europe and Japan. But after the initial fury, the U.S. markets settled down as participants took stock and decided the threat was still more perceived than real.

Indeed, the yield sell-off continued earlier gains of between 1 and 3 points by up to 1 points and left the Treasury long bond 1 point lower on the week at 101.

The Fed's activities in the foreign exchange markets—the U.S. monetary authorities are believed to have bought at least \$500m of foreign cur-



encies last week—are also adding to market uncertainties.

As Dr Henry Kaufman of Salomon Brothers notes: "This foreign exchange intervention helps to explain why the Fed seemed so stingy in conducting domestic open market operations in the past week, but it does not provide any insight into why the Federal funds rate has been stuck at 8 per cent."

Indeed, the high funds rate will eventually have to ease.

While little emphasis is placed on the M1, reported decline in M1 is reported last week, which is expected to be quickly reversed. Wall Street economists, most of whom are still predicting a steady Fed policy stance, or in the case of a few like Mr Philip Braverman of Brings Schaefer, a Fed easing once it becomes clear that such a move is necessary "to stimulate the economy and shore up the financial system."

The continuing lacklustre performance of the U.S. economy and evidence of the vulnerability of the financial system because of problem domestic and LDC credits, are among a long list of reasons why Mr Braverman believes the

U.S. markets are poised

for an announcement any day

now of the \$17.5bn auction package of four, seven- and 20-year Treasury paper originally slated for sale in September. This would be followed in quick suc-

cession by the \$20.5bn mid-quarter refunding. Up to \$50bn of new Treasury paper may be offered in the next few weeks.

Meanwhile, corporate treasurers continue to rush new issues to market—diving through an uncertain "financing window." Last week saw medium-term prices rise by about 1 point while long-term issues dropped by about 1 point.

Among the new issues, Atlantic Richfield sold \$200m of re-

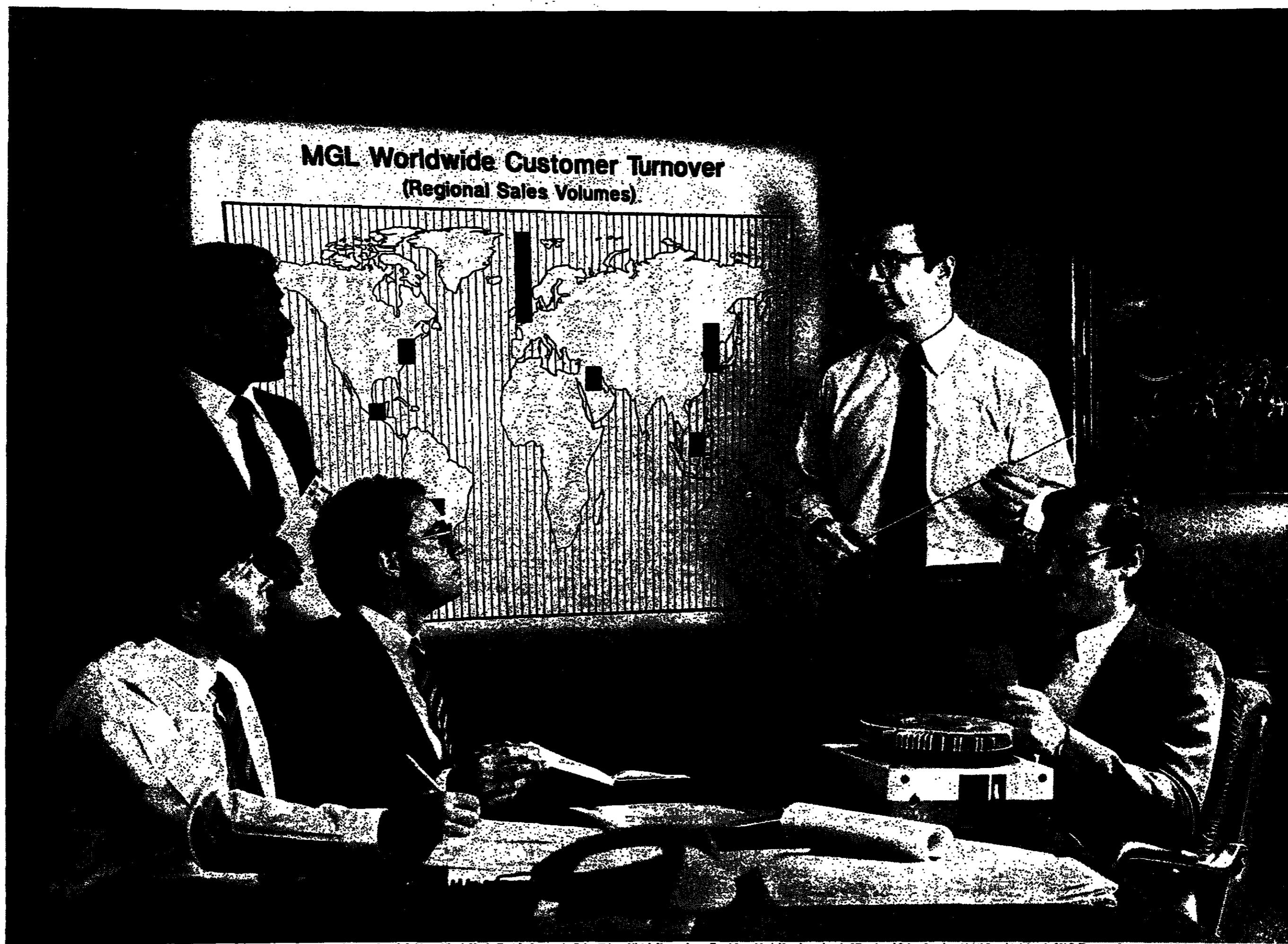
venue notes at 9.5 per cent and another \$150m of 10-year 101 per cent notes priced in yield 10.62 per cent. IBM sold \$250m of 101 per cent 10-year notes priced to yield 10.308 per cent.

Paul Taylor

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS									
Issued	Chg. on week	Yield	100%	104%	105%	106%	107%	108%	109%
AHFC 0/5 Fin 11% '94	100%	9.82	100	100	100	100	100	100	100
AIDC 1/5 Fin 11% '94	100%	9.85	100	100	100	100	100	100	100
Amer Savings 12.65 '93	125%	11.41	100	100	100	100	100	100	100
Amer Savings 12.65 '92	100%	11.05	100	100	100	100	100	100	100
Astar Dev 12/11 '93	100%	10.81	100	100	100	100	100	100	100
Austral 11/12 '93	100%	10.04	100	100	100	100	100	100	100
Austral 11/12 '92	100%	10.25	100	100	100	100	100	100	100
Austral 11/12 '91	100%	10.47	100	100	100	100	100	100	100
Avco Fin 12/11 '91	100%	10.75	100	100	100	100	100	100	100
B&K Note Scrs 12/11 '91	100%	9.67	100	100	100	100	100	100	100
Bank of Tokyo 12/2 '92	100%	11.15	100	100	100	100	100	100	100
Bank of Tokyo 12/2 '91	100%	11.25	100	100	100	100	100	100	100
Bergen Bank 11/12 '90	100%	10.15	100	100	100	100	100	100	100
BP Capital 11/12 '92	100%	10.04	100	100	100	100	100	100	100
BP Capital 11/12 '91	100%	10.25	100	100	100	100	100	100	100
Br Cpl Hydro 12/12 '90	100%	11.75	100	100	100	100	100	100	100
Br Cpl Hydro 12/12 '89	100%	11.75	100	100	100	100	100	100	100
British Fin 11/12 '90	100%	11.75	100	100	100	100	100	100	100
British Fin 11/12 '89	100%	11.75	100	100	100	100	100	100	100
Citco Corp 11/12 '90	100%	10.75	100	100	100	100	100	100	100
Citco Corp 11/12 '89	100%	10.75	100	100	100	100	100	100	100
CNA Corp 11/12 '90	100%	10.75	100	100	100	100	100	100	100
CNA Corp 11/12 '89	100%	10.75	100	100	100	100	100	100	100
Cook Corp 11/12 '90	100%	10.75	100	100	100	100	100	100	100
Cook Corp 11/12 '89	100%	10.75	100	100	100	100	100	100	100
Creditanstalt 11/12 '90	100%	10.75	100	100	100	100	100	100	100
Creditanstalt 11/12 '89	100%	10.75	100	100	100	100	100	100	100
Creditanstalt 11/12 '88	100%	10.75	100	100	100	100	100	100	100
Creditanstalt 11/12 '87	100%	10.75	100	100	100	100	100	100	100
Creditanstalt 11/12 '86	100%	10.75	100	100	100	100	100	100	100
Creditanstalt 11/12 '85	100%	10.75	100	100	100	100	100	100	100
Creditanstalt 11/12 '84	100%	10.75	100	100	100	100	100	100	100
Creditanstalt 11/12 '83	100%	10.75	100	100	100	100	100	100	100
Creditanstalt 11/12 '82	100%	10.75	100	100	100	100	100	100	100
Creditanstalt 11/12 '81	100%	10.75	100	100	100	100	100	100	100
Creditanstalt 11/12 '80	100%	10.75	100	100	100	100	100	100	100
Creditanstalt 11/12 '79	100%	10.75	100	100	100	100	10		

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UK COMPANY NEWS

RECENT ISSUES

Polymark interim profit hit by technographics setback

A BIGGER than expected setback in its technographics division left Polymark International with a sharply reduced pre-tax profit of £6,000 for the first half of 1985, against £171,000 last time. In the whole of 1984, the company incurred a loss of £11,000.

The directors say the half-time result is very disappointing. They point out that the result is partially so in view of a significant improvement at Polymark France (profit of £302,000 against a £1,000 loss) and sustained profitability of the laundry division (profits up from £20,000 to £21,000) in difficult trading conditions.

However, despite the technographics severe loss of £281,000 (£166,000 profit), the directors believe the overall performance will demonstrate some improvement on 1984.

They explain that the technographics division is now venture-

ing successfully into new markets and that the prospects for the core laundry business remain encouraging both in Britain and France. As a result, they "confidently expect that the group's recovery will gather momentum in 1986."

But having deferred the payment of the dividend due on June 30, the directors propose to pay a share of the proposed £1.5m profit to the shareholders.

Commenting on the technographics division, the directors report that it started the year making a substantial loss because of the company's re-

Prince of Wales sees full-year downturn

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FINANCIAL TIMES SURVEY

Monday October 28 1985

The UK leisure industry has grown rapidly and is set to expand further. So complex is the sector, however, that those wishing to start a business often have difficulty raising finance. The failure rate for businesses is also high, for the industry is traditionally vulnerable to fast-changing fashions.

The right formula yields rich rewards

BY ARTHUR SANDLES

LEISURE, ALWAYS an object of aspiration, is now an object of investment. That is not to say that, as a sector, it is understood by investors. Leisure is such an all-embracing term, and the body of its practitioners so entrepreneurial a group, that the leisure business frightens many who look at it.

At its most basic, leisure is that area of human activity which consumes disposable time and disposable money. Given that broad canvas, almost any product or activity can be placed within it. A meal may be a necessity, but what of a meal with table cloth, a glass of wine and waiter service? Some nations of the world may be regarded as a basic requirement in western society, but start adding a sunroof, in-car hi-fi or even a digital clock, is this not leisure expenditure?

This survey will confine itself to the more obvious forms of leisure — holidays, restaurants, hotels, eating out and so on. These are traditionally known as "leisure activities". It should not be forgotten, however, that leisure expenditure in these terms is often in competition with domestic hardware, such as video and compact disc systems, with house extensions and new cars.

The essential element of the leisure business is that all spending in it is discretionary. In other words, a person who decides they really need a new coat may then face of choice of which coat. That same person, faced with a decision of whether or not to go to a disco-

theque, the cinema, a squash in shop trading hours and relevant changes in the licensing rules would seem likely to provide a considerable fillip to some aspects of leisure.

Given a fairly wide definition of leisure, it is spent on leisure annually in Britain. By any measure this is a substantial amount and one which most examinations suggest is likely to grow.

Indeed, the evidence of that growth is already widely apparent. High streets continue to sprout new fast food and themed food outlets. The shelves of news stands grow more burdened with their weight of ever more magazines serving specialist leisure areas: Hotels change hands at spiralling prices. New time-share developments, discotheques, theme parks and sports centres sprout around the country.

Estimates of the numbers employed in leisure vary considerably, but the total directly owing their jobs to the pursuit of pleasure in the UK is likely to be around 1.6m. If one looks at leisure related industries—the farmers who grow the restaurant food, the factory that makes the hotel china—the figure may well double. It could be that a fifth of all British labour relies for its work on other people's leisure.

For example, it is thought that in England alone tourism related projects worth more than £500m are under construction at the moment, and that the total UK figure may well be nearer £1bn. And yet, according to the British Tourist Authority's director of international activities, Mr Frank Kelly, "Raising finance for new tourism investment is more difficult than for other development propositions."

Says Mr Kelly: "The City

Local authorities are much

more aware of the returns from tourism investment and are increasing working with private investors to develop or revive tourist attractions.

The wariness of traditional sources of finance about the leisure industries has led to the development of two major features in the industry—the involvement of public funding in some form, particularly with seed money and planning help, and the growth of investment intermediaries of various forms, from consultants through to leisure conglomerates who act as a funnel for investment themselves.

"The leisure industries are highly diverse, vulnerable to fast changing fashions and dependent for their success on local management and marketing skills," says Mr James Williams, a partner of surveyors Drivers Jonas. "This does present problems in raising private sector finance."

It is not, however, a problem which is being ignored.

Using what is called "section four" (of the Development of Tourism Act) money national tourist boards have been

major stimulators of leisure developments in recent years and there are signs of a much more targeted approach to the subject developing at the moment.

Local authorities are much

and in most of them the

competition is fierce and the

casualty rate high.

As the aptly named Leisure

Consultants Organisation

recently commented in producing its predictions for the next few years: "Our concern about the danger of over-investment in leisure facilities on the grounds of job creation stems partly from the fact that many leisure markets already face a period of consolidation and rationalisation. After a couple of years of rapid growth, consumer spending is expanding more slowly. Meanwhile, the greater attention being paid to leisure is drawing more companies and individual operators into the leisure business."

Leisure Consultants is quick to point out that the background against which the leisure markets are developing is itself changing. There are continuing regional and social differences in affluence and attitudes. The number of teenagers is declining sharply while the number of 25-44 year olds is rising. Leisure interests are fragmenting and fashion is playing a much greater role: Health and informality are major current themes. And there is a growing need for participation as well as entertainment.

It would nevertheless be foolish to suggest that here is a

crock of gold which the investment world has been

foolish to ignore in the past, and which is still brimming

with rewards for the most

casual investor. Many fields

of leisure have long since been

identified as growth markets

tors would say, however, is the

lack of professionalism.

In one of the biggest single

areas of leisure, the package

tour business, that professionalism is currently being put

to the test. The Thomson/

Intasun battle is a classic for

an entrepreneurial business

which is about to come of age.

As these two fight for market

share, the package tour

industry is keen to make

its mark.

Above all, there is an insis-

tent demand for evident value

for money."

The impact of changes in the

market environment can be seen

throughout our daily lives.

There has been a relative

decline in spectator sport while

many participatory sports are

enjoying a boom. From cloth-

eshop to supermarkets

shelves, and certainly in

restaurants the "health kick"

is showing itself in what people

choose to wear and eat.

It is clear, then, since the

leisure industry as such is a

relatively young thing, the

development phase is likely to

see as much pain as it does

pleasure. From dance studios

to video shops, from take-away

foods to wine bars there are as

many stories of failure as

success. The identifying feature

of the failures, many commenta-

The Leisure Industry



A million people want a place to play



This year about a million people will have visited the Mersey Waterfront.

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Many thousands of people have visited the nearby Festival Gardens, over 70 acres of spectacular gardens and events, all on the site of last year's International Garden Festival, the country's largest tourist attraction of 1984.

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Working closely with the private sector, Merseyside Development Corporation is creating a unique environment, bringing prosperity and people to this revitalised waterfront.

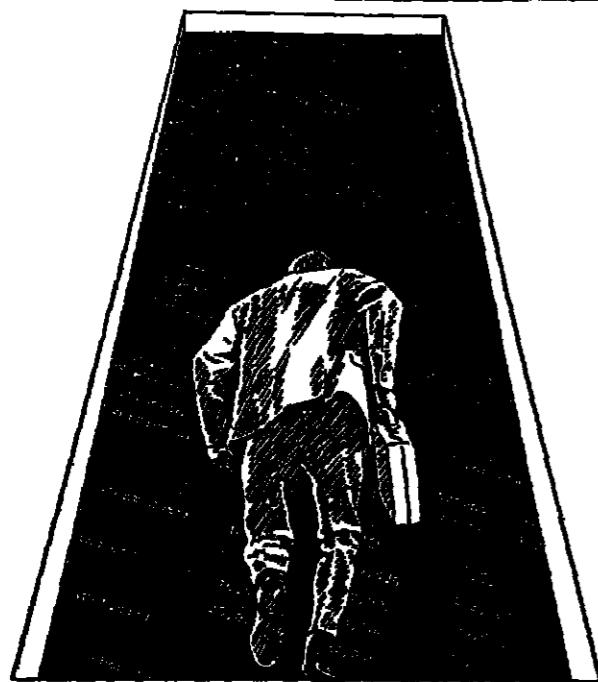
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MDC Merseyside Development Corporation

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Optimising leisure investment

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Good prospects for investment

Hotels

ARTHUR SANDLES

"JUST ABOUT every hotel is for sale if you want it at a price," the man from consulting House and Barwath had the hint of a twinkle in his eye as he made the statement for the catch is indeed the price.

To build a new hotel in London at the moment would involve a cost fairly generally estimated at £150,000 a room at least. To buy one on a good site and in good condition would not cost very much less.

Even modest properties requiring considerable refurbishment are now on the market for £70,000 to £100,000 a room. But, only a decade ago, eyebrows were raised when the Inter-continental was built for a reported £30,000-plus.

Almost every year for the past 20, commentators have been saying that the cost of acquisition and building throughout the UK, but particularly in London, is too high. Each year, with only the occasional hiccup, the queue of buyers has proved that the price ceiling has not been reached and that although room rates have been rising considerably faster than inflation there is still a demand for accommodation.

The queue for investment in London has several driving forces behind it. And the very top end of the market there is the perceived need on the part of the international hotel chain to have a presence in the UK.

In recent years, foreign operators from Marriott to Hyatt, Novotel to Ibis have all nudged their way into the market place without a new brick having been put in place.

At the same time, in many sectors of the business, it is seen as a very valuable asset, and one which it may well be worth taking a reduced return from while the basic value increases rapidly.

"London's unique position as one of the world's major centres for tourism and commerce leads many hotel chains to feel that without a London presence they cannot be considered truly international," says another consultancy, Panell Kerr Forster. "As long as the present planning constraints remain, little new stock can be added to London's hotels.

"We believe that even if sterling were to strengthen to the \$1.60 level, the UK would still be perceived as a cheap holiday destination by most North American visitors. Consequently we take the view that demand for bedrooms in 1986 will remain strong and margins will improve."

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The Leisure Industry 4

Funds for right projects

Development of the Industry

ARTHUR SANDLES

"TOURISM and leisure offer potential growth, and should increase their contribution to the economy and employment as a whole, providing a positive and co-operative attitude is adopted by all those concerned with the development of the industry. Success will be achieved if there is a willingness to develop and invest in the market opportunities of the future."

These brave words concluded an English Tourist Board statement of intent published a couple of years ago as part of a bid to show that tourism and leisure were serious businesses, worthy of attention.

To a large extent that battle has been won, to some degree almost overwon. There seems little problem in convincing investors that leisure as a whole is an interesting field. "there is," as one consultant put it, "an abundance of money around," but on the other hand those seeking funds often experience considerable diffi-

culty in getting their hands on this cash.

At the top end of the market, of course, one assumes that the searchers can look after themselves. Pure leisure companies, such as Lord Delfont's First Leisure, which has been making a spectacular success up-dating such ageing assets as the nation's piers and showing it's pace with innovation in operation, seem to have become something of a glamour stock. Companies with a high leisure profile, like Ledbrooke and Rank, are similarly enthusiastically followed.

For lesser mortals raising the wind for leisure facility can be an uphill task. Traditional sources of finance appear to have difficulty in assessing leisure schemes, particularly those which are innovative and which have no names with established track records attached to them.

A great many tourist projects, from small hotels to leisure fair to health centres, may also fall into that terrible gap that sits between the local bank and the City—too big for one, and too small for the other.

Step one for almost anyone finance should be the nearest National or Regional Tourist Board. These boards are not only major sources of information on

tourism investment but can also supply cash themselves, usually in the form of Section Four grants. The boards are able to give grants of between 20 and 30 per cent towards the cost of a tourism project, and this is normally provided in the form of stage payments.

To get the money the Boards normally conduct an extremely thorough investigation not only of the viability of the project but also of the ability of the promoters to carry it through. The passing of this stage, which forces many a potential entrepreneur to sit down for the first time and do realistic projections, is a useful discipline in itself.

The availability of public funds does not end there. The Council for Small Industries in Rural Areas (CoSIRA), the British Waterways Board, the Arts Council, the Civic Trust and the Countryside Commission are all potential sources of support and certainly advice in their respective fields.

Normally, however, even the most enthusiastic collector of grants will be unable to get more than 50 per cent of the funding from public sources, no matter how many of them are tapped.

Local authorities themselves have various other avenues of attack including, as several UK resorts have recently proved, the EEC. But back to the private individual or company.

The report adds: "Timesharing abroad is viewed with the same potential legal and financial pitfalls associated with owning property overseas. The unpredictable travel cost is also a deterrent to long-term holiday commitment. Owners are predicted to continue steadily for the next two years at about 30 per cent per year."

This is the background which helped convince Ronald Haylock, European head of the giant RCI Condominiums International, largest timeshare exchange organisation, that there will be continued expansion in the number of new timeshare developments in Britain.

They will meet the demands both of UK citizens who want their holiday home in the country they know best, and the increasing numbers of foreign tourists, wishing to exchange their own time-owner homes for a stay in Britain.

It says something for the professionalism of the two giant exchange organisations, RCI and Interval International, which together have been largely responsible for the growth and acceptance of the timeshare concept, that despite the economic recession and the industry's infancy, there have been comparatively few failures of repayment will be sought.

Some of the banks operate venture capital and equity involvement schemes. In these instances the promoter should expect to lose some of his equity stake in the business.

In exchange for this, however, he will broaden his borrowing powers and almost certainly be offered, or indeed have pressed upon him, expertise at boardroom level which can be of considerable help.

Some new companies, often allied to banks, have sprung up recently with the object of putting money and entrepreneurs together.

Aspect Leisure is one of the main operators in this field (it is the company which has been closely involved in the Langdale leisure and time-share operation in the Lake District). Langdale's role in life is to form a link between the men of ideas and the men of money—the word "men" is used in a unisex sense, of course.

It has recently been working with the Lazarus subsidiary, Development Capital Group, to set up the Lazarus Leisure Fund, for example, which is looking for investments of £250,000 upwards.

Leisure Development is a company set up nearly two years ago with the English Tourist Board acting as a catalyst. It brought together five City institutions and a group of executives with extensive leisure investment experience. Leisure Development was set up with the specific objective of a "significant capital gain for its shareholders on ultimate disposal." It above all is a "hands on" institution which seeks to become closely involved with any project into which it injects funds.

All in all the sources of finance for leisure are considerable. Searches after such finance must, however, be prepared for doubtful reception at first. Bank managers are all too tired of hearing the fantasy schemes of tired executives simply seeking an exit from the rat race. Prove that you are not such and you might get a more cheerful welcome.



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Continued growth is forecast

Timesharing

MOSS MURRAY

THE NUMBER of British timeshare units increased by 15 per cent from 30,000 to 40,000 during 1985, a growth of 33 per cent, according to a Mintel report in June. Some 4,000 of these new owners will buy their timeshare homes in the UK.

The report adds: "Timesharing abroad is viewed with the same potential legal and financial pitfalls associated with owning property overseas. The unpredictable travel cost is also a deterrent to long-term holiday commitment. Owners are predicted to continue steadily for the next two years at about 30 per cent per year."

Open will involve fixed term, fixed interest loans with some sort of repayment or interest holiday for the first couple of years. Usually some form of collateral is required for such loans and sometimes directors' personal guarantees of repayment will be sought.

Some of the banks operate venture capital and equity involvement schemes. In these instances the promoter should expect to lose some of his equity stake in the business. In exchange for this, however, he will broaden his borrowing powers and almost certainly be offered, or indeed have pressed upon him, expertise at boardroom level which can be of considerable help.

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ful developments have offered not only luxurious accommodation designed with style, but a comprehensive package of leisure facilities including swimming pools, saunas, jacuzzis, gyms, squash courts, health and beauty salons as well as golf, riding and restaurants.

The average cost of a week's timeshare per year for the next 30 years in England and in Scotland, is about £2,000. If, says Ian Swanson, the developer can get his marketing, selling and construction mix right the rewards can be high. But if a single link in the chain is weak the results can be disastrous.

Ron Haylock of RCI insists that every newcomer and developer has to budget for one-third of his capital being used for building another third for marketing, including sales, advertising, promotions and public relations, as well as "good family atmosphere."

An ability to keep closely in touch with the fickle whims of public taste ranks high on the list of qualifications for building a successful company in the leisure sector. And it is an ability which in the early days of a new venture can be founded as much on instinct as on market research.

However, the flair needed to spot market winners may well be complemented by three other ingredients vital for success: strong management, tight financial controls and an ability to market oneself.

And the strains imposed by a mismatch between these characteristics often shows through when a relatively small company first tries to expand out of its initial market niche, as to spread its risks.

All this helps explain why, even though the leisure sector is generally perceived to be a strong growth sector, the City has sometimes adopted a somewhat wary approach to investment in the field.

Another problem is the sheer diversity of the market, both in terms of size and mixture of businesses, which can make a clear identity difficult to establish.

Taking leisure in the broadest sense, the sector is dominated by a handful of very large groups, for the most part built up over the past two decades and often with interests stretching far beyond "pure leisure". They include Grand Metropolitan, the hotels, brewing and food group, Trusthouse Forte, the hotels and catering, and Thorn-EMI, with interests ranging from electronics to the manufacturing of pop records.

People like Ron Haylock and Paul Woodgate, assistant vice-president in Europe of Interval International, which together have been largely responsible for the growth and acceptance of the timeshare concept, that despite the economic recession and the industry's infancy, there have been comparatively few failures.

They will meet the demands both of UK citizens who want their holiday home in the country they know best, and the increasing numbers of foreign tourists, wishing to exchange their own time-owner homes for a stay in Britain.

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CONSTRUCTION CONTRACTS INSURANCE

New £25m headquarters for Legal & General Assurance

TAYLOR WOODROW MANAGEMENT CONTRACTING has been awarded a £25m contract by Legal and General Assurance Society to build a head office in Kingswood, Surrey.

The work entails the provision of a 26,000 sq metre office block, followed by demolition of the present headquarters, plus refurbishment and extension of a training centre, and construction of sports buildings, a swimming pool, playing fields and extensive landscaping.

The new building, which will initially be alongside the existing one, will be low rise in keeping with the predominantly residential character of the neighbourhood.

It will be 150 metres long by 80 metres wide with accommodation planned around two landscaped courtyards on each side of a central entrance. The building will appear to be two stories above ground level, but

there will be a lower ground level which will project at the southern end to form terraces overlooking a wooded valley.

The ground and the roof will be predominantly open plan with computer suites, plan room, storage and lower level. The staff dining room will also have an outlook across the valley.

Work starts at the end of this month, for completion in four years.

£18m Washington Metro order

HARRISON WESTERN CORPORATION, a wholly-owned subsidiary of the Scottish-based Lillie Group, has been awarded an £18m contract for tunnel work of the Washington DC metro.

Harrison Western is already working on another section of the metro scheme, the Anacostia line, a contract valued at £17m (£11.5m). The project, involving tunnelling and con-

struction of ventilation shafts, is expected to be completed within three years.

It has contracts worth over £2m. These include construction of a breakwater and mooring berths for a new RNLI lifeboat in the Shetlands (£71,000); a 16-flat housing development also in Shetlands; a sheltered housing development in Wigton; and a primary school and community centre for the Welsh and Galloway Regional Council.

A gasification unit will send the ethylene to an onshore PVC plant at El Alamein via a 25m mm pipeline. For the platform deck (2,000 tonnes), 5,000 tons in operation). Technical gas production will be using an integrated deck installed by ballasting, which has the advantage of reducing offshore construction operations to a minimum, so that the project can be completed in 12 months.

The platform will provide accommodation for 15 people, two refrigeration units and utilities. The same offshore terminal will also be used for unloading LPG to be piped onshore through a second pipeline. The turnkey contract is worth £26m (£18m).

WILLET has started work on new projects which together total £15m. The largest, at over £10m, is for a J. Sainsbury supermarket in Winchester.

The contract includes the construction of a community centre and car park, and is scheduled for completion next autumn.

Through Lex Service, Willett has been awarded a £4m contract to build a head office for Volvo in Marlow, Bucks. The contract will take just over a year to complete.

Close by in Maidenhead, a further £4.2m-worth of work has been placed by Trafalgar House (Industrial) Developments for expansion of Vauxhall's Parkgate site, the old GKN works in Mitcham, Surrey, a 2.8m contract from South Eastern Gas.

Willett is a member of the Trafalgar House Group.

Sainsbury's Winchester supermarket

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New offices for Heathrow

A contract worth £4.7m has been awarded by Norwich Union Life Insurance Group to **WIMPEY CONSTRUCTION UK** for building on the corner of Edinburgh Way and Station Approach, Harrow, a new six-storey office block and a three-storey computer suite, with a combined floor area of about 7,890 sq metres. Work is scheduled for completion in March 1987. The block will rest on piles which carry suspended-slab flooring. The structure will be reinforced concrete frame with trough floors and steel roof trusses. Roots will be built with concrete pinnacles and partly flat with asphalt covering. External elevations are to be of faced brickwork. All services for the building are included together with roads and landscaping.

HUNTING GATE DESIGN & BUILD has secured over £6m orders. These include: 60,000 sq ft of high tech space for Allied Dunbar at Slough; a 35,000 sq ft design and build office/warehouse for Boots at Chelmsford; and a 33,000 sq ft air-conditioned staff development centre for Manufacturers Life Insurance Group on the Meadoway Technology Park, Stevenage. This building, which is two-storey, will provide facilities for training, audio visual production and central office services.

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Royal Priors shopping centre at Leamington Spa

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Bonds	Price	Yield
F. My Au T. 10% 1991	100.00	10.00
F. My Au T. 6% 1991	100.00	6.00
F. My Au T. 5% 1991	100.00	5.00
F. My Au T. 4% 1991	100.00	4.00
F. My Au T. 3% 1991	100.00	3.00
F. My Au T. 2% 1991	100.00	2.00
F. My Au T. 1% 1991	100.00	1.00
F. My Au T. 0.5% 1991	100.00	0.50
F. My Au T. 0.25% 1991	100.00	0.25
F. My Au T. 0.125% 1991	100.00	0.125
F. My Au T. 0.0625% 1991	100.00	0.0625
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F. My Au T. 0.00000000000733680000476821283203125% 1991	100.00	0.00000000000733680000476821283203125
F. My Au T. 0.000000000003668000002384106416015625% 1991	100.00	0.000000000003668000002384106416015625
F. My Au T. 0.0000000000018340000012020532080078125% 1991	100.00	0.0000000000018340000012020532080078125
F. My Au T. 0.00000000000091700000060102660400390625% 1991	100.00	0.00000000000091700000060102660400390625
F. My Au T. 0.000000000000458500000300513302001953125% 1991	100.00	0.000000000000458500000300513302001953125
F. My Au T. 0.0000000000002292500001502566010009765625% 1991	100.00	0.0000000000002292500001502566010009765625
F. My Au T. 0.000000000000114625000007512830050048828125% 1991	100.00	0.000000000000114625000007512830050048828125
F. My Au T. 0.0000000000000573125000003756415002544140625% 1991	100.00	0.0000000000000573125000003756415002544140625
F. My Au T. 0.00000000000002865625000018782075012220703125% 1991	100.00	0.00000000000002865625000018782075012220703125
F. My Au T. 0.000000000000014328125000093910375006103515625% 1991	100.00	0.000000000000014328125000093910375006103515625
F. My Au T. 0.0000000000000071640625000469551875030517578125% 1991	100.00	0.0000000000000071640625000469551875030517578125
F. My Au T. 0.0000000000000035832031250002347759375015238125% 1991	100.00	0.0000000000000035832031250002347759375015238125
F. My Au T. 0.0000000000000017916606250001173887968750076203125% 1991	100.00	0.0000000000000017916606250001173887968750076203125
F. My Au T. 0.00000000000000089583031250000469551875030517578125% 1991	100.00	0.00000000000000089583031250000469551875030517578125
F. My Au T. 0.000000000000000447915156250002347759375015238125% 1991	100.00	0.000000000000000447915156250002347759375015238125
F. My Au T. 0.000000000000000223957781250001173887968750076203125% 1991	100.00	0.000000000000000223957781250001173887968750076203125
F. My Au T. 0.0000000000000001119738891250000469551875030517578125% 1991	100.00	0.0000000000000001119738891250000469551875030517578125
F. My Au T. 0.00000000000000005598904812500002347759375015238125% 1991	100.00	0.00000000000000005598904812500002347759375015238125
F. My Au T. 0.00000000000000002799452406250001173887968750076203125% 1991	100.00	0.00000000000000002799452406250001173887968750076203125
F. My Au T. 0.000000000000000013997262031250000469551875030517578125% 1991	100.00	0.000000000000000013997262031250000469551875030517578125
F. My Au T. 0.0000000000000000069986310156250002347759375015238125% 1991	100.00	0.0000000000000000069986310156250002347759375015238125
F. My Au T. 0.00000000000000000349931556250001173887968750076203125% 1991	100.00	0.00000000000000000349931556250001173887968750076203125
F. My Au T. 0.000000000000000001749657781250000469551875030517578125% 1991	100.00	0.000000000000000001749657781250000469551875030517578125
F. My Au T. 0.000000000000000000874828891250002347759375015238125% 1991	100.00	0.000000000000000000874828891250002347759375015238125
F. My Au T. 0.00000000000000000043744444606250001173887968750076203125% 1991	100.00	0.00000000000000000043744444606250001173887968750076203125
F. My Au T. 0.00000000000000000021872222031250000469551875030517578125% 1991	100.00	0.00000000000000000021872222031250000469551875030517578125
F. My Au T. 0.000000000000000000109361110156250002347759375015238125% 1991	100.00	0.000000000000000000109361110156250002347759375015238125
F. My Au T. 0.0000000000000000000546805556250001173887968750076203125% 1991	100.00	0.0000000000000000000546805556250001173887968750076203125
F. My Au T. 0.00000000000000000002734027781250000469551875030517578125% 1991	100.00	0.00000000000000000002734027781250000469551875030517578125
F. My Au T. 0.00000000000000000001367013891250002347759375015238125% 1991	100.00	0.00000000000000000001367013891250002347759375015238125
F. My Au T. 0.0000000000000000000068350694606250001173887968750076203125% 1991	100.00	0.0000000000000000000068350694606250001173887

B Preference dividend passed or deferred. **C** Canadian price. **F** Dividend and yield based on prospectus of issues for 1984-85. **G** Assumed dividend and yield after December 31, 1984.

or rights issue. M Dividend and yield based on prospects or other official estimates for 1984. N Figures based on prospects or official estimates for 1984. M Dividend and yield based on prospects or other official estimates for 1984.

1985-86. N Dividend and yield based on prospects or other official estimates for 1985. P Figures based on prospects or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: *ad ex* dividend; *ic ex* scrip issue; *er ex* rights; *in ex* alt; *cd ex* capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of ~~Regional and Irish stocks, the latter being quoted in Irish currency.~~

Barney's, Inc.	10	ARTISTS	212
Craig & Rose	11	CPI Hides	65
Family Plus	59	Carvel Ice Cream	140
Hannaford Brothers	225	Quaker Oats	45

Higgins Bros.	25	Dobie Gas.	25
Holl (Joe) 25p	7150	Hall (R. & H.)	55
Tom Sun. £1	87	Heron Hedges	22

IRISH	Irish Reps	5
Ford 11 1/2% 1968 -	£101 1/2..	
Mat. 95 1/2% 1968 -	£98 1/2..	
	£98 1/2..	

For Jacob (W. & K) see Foods

**"Recent Issues" and "Rights" Page 22
(International Edition Page 22)**

This service is available to every Company dealt in on Stock Exchange.

Exchanges throughout the United Kingdom for a fee of £200 per annum for each security.

AUTHORISED UNIT TRUSTS & INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

Scottish Life Investments 19 St Andrews Square, Edinburgh.	031-225 2211	Sun Life Unit Assurance Ltd. St James' Square, Bristol BS1 7SL.	0272 622
Property	100.2	11.9	
UK Equity	102.9	10.5	
Corporate	121.1	127.5	
Private	100.7	114.6	
European	115.5	115.5	
International	114.5	115.5	
Fund Interest	104.5	111.2	
Index Linked	101.7	107.2	
Debt	102.2	109.9	
Managed	116.5	116.5	
Peer Property	111.3	117.3	
Peer UK Equity	100.7	104.2	
Peer Corporate	110.5	112.2	
Peer European	105.7	110.5	
Peer International	124.5	111.2	
Peer Fixed Int.	111.6	117.4	
Peer Index Linked	105.0	110.8	
Peer Debt	112.9	118.7	
Peer Managed	122.2	128.7	
Scottish Mutual Assurance Society 109 St Vincent St, Glasgow.	041-288 6321	Sun Life Pensions Management Ltd. Handy Cross, Bristol BS1 7SL.	
Safe Fund	101.3	108.5	
Growth Fund	99.4	104.7	
Opportunity Fund	101.5	104.5	
Equity Fund	97.7	102.9	
Corporate Fund	111.4	111.4	
Private Fund	100.1	105.5	
Index Linked Fund	106.5	115.7	
Peer Shared Int.	111.9	123.2	
Deb Int.	114.5	111.1	
Peer Equity Int.	112.5	118.5	
Peer Corporate Int.	111.5	118.5	
Deb Ord.	112.3	118.5	
Peer Property Int.	112.5	118.5	
Deb Ord.	111.7	125.1	
Peer Fixed Int. Ord.	111.5	125.1	
Peer Index-Link. Ord.	104.3	105.5	
Deb Ord.	102.8	108.5	
Peer Cash Int.	107.2	113.0	
Deb Ord.	114.2	120.4	
Scottish Mutual Investments 109 St Vincent St, Glasgow.	041-288 6321	Sun Life Pensions Ltd. 95-101 London Rd, Sevenoaks.	0752-450
Safe Fund	101.3	108.5	
Growth Fund	99.4	104.7	
Opportunity Fund	101.5	104.5	
Equity Fund	97.7	102.9	
Corporate Fund	111.4	111.4	
Private Fund	100.1	105.5	
Index Linked Fund	106.5	115.7	
Peer Shared Int.	111.9	123.2	
Deb Int.	114.5	111.1	
Peer Equity Int.	112.5	118.5	
Peer Corporate Int.	111.5	118.5	
Deb Ord.	112.3	118.5	
Peer Property Int.	112.5	118.5	
Deb Ord.	111.7	125.1	
Peer Fixed Int. Ord.	111.5	125.1	
Peer Index-Link. Ord.	104.3	105.5	
Deb Ord.	102.8	108.5	
Peer Cash Int.	107.2	113.0	
Deb Ord.	114.2	120.4	
Scottish Widows' Group PO Box 900, Edinburgh EH2 5BU.	033-455 6000	TSB Life Ltd. PO Box 3, Kevex Hse, Andover SP10 1PG	0264-62
Inv Pfd 1 Oct 18	347.9	347.9	
Inv Pfd 2 Oct 18	347.9	347.9	
Inv Cash Pfd 1 Oct 18	169.0	177.9	
Inv Fund	368.1	195.9	
Property Fund	217.5	226.9	
Corporate Fund	132.4	157.9	
Private Fund	164.9	178.5	
Invest. Fund	107.8	113.5	
Cash Pfd	125.4	125.1	
Peer Shared Pfd. Ord.	204.0	218.0	
Peer Property Pfd. Ord.	204.0	218.0	
Peer Corporate Pfd. Ord.	192.0	207.1	
Peer Inv. Pfd. Ord.	208.1	217.1	
Peer Inv. St. Pfd. Ord.	115.7	121.9	
Peer Cash Pfd. Ord.	149.9	157.9	
PAI Inv. Oct 24	142.6	149.6	
PAI St Inv. Oct 24	142.6	149.6	
PAI Cash Inv. Oct 24	142.6	149.6	
PAI Corp Inv. Oct 24	144.1	151.1	
Ex Inv. Acc Oct 18	104.3	107.3	
Ex Inv. Inv Oct 18	260.1	269.1	
Scandia Life Assurance Co. Ltd. Frobisher Ave, Nelson St, 5th Floor.	0703 304411	TSB Life Ltd. Managed Fund	114.8
Scandia Life Funds	176.4	185.1	+9.9
Equity Pfd.	201.9	212.5	+5.5
International Pfd.	185.0	197.9	+12.8
Self Pfd. Pfd.	199.8	202.5	+1.1
Property Pfd.	171.3	174.5	+2.1
Corporate Pfd.	104.9	112.5	+7.5
Private Pfd.	104.5	112.5	+7.5
North American Pfd.	104.5	112.0	+7.5
North European Pfd.	137.9	145.1	+5.3
Int'l. Recovery Pfd.	118.0	125.0	+6.8
Pacific Pfd.	129.9	137.0	+5.3
Scandia Arbitrage Pfd.	101.8	107.1	+5.3
Global Growth	71.8	75.5	+5.3
Corporate	116.6	125.5	+8.9
Private & Corp. Share	122.5	129.5	+5.6
Foreign Arbitrage Pfd.	101.3	106.5	+5.2
Gold & Fund. Inv.	105.4	110.5	+5.1
High Income	118.7	124.3	+5.2
Hedge Fund	115.2	121.3	+5.3
Managed	107.2	112.5	+5.3
W. American & Ind.	111.5	117.1	+5.3
Small & Smaller Companies	116.4	121.5	+5.3
Smaller Companies	111.8	117.6	+5.3
World Portfolio Fund	111.8	117.6	+5.3
Scandia Dynamics Funds	101.1	106.4	+5.3
Growth Gilt	113.9	119.5	+5.4
Recovery	111.9	117.6	+5.3
Smaller Companies	116.4	122.5	+5.6
National High Inv.	120.8	125.5	+4.7
Extra Income	111.2	117.3	+5.6
Corporate Growth	124.2	129.5	+5.3
Gold	101.2	101.8	+0.6
Peer Shares	106.4	111.8	+5.3
Corporate Shares	95.5	99.0	+4.0
Financial Securities	111.1	116.5	+4.4
Gold and Bond	111.1	116.5	+4.4
Int'l. London Markt	117.1	122.3	+4.4
Properties Fund	122.9	129.1	+4.3
Utilities Energy	71.5	75.0	+5.3
World Treasury	125.5	126.0	+0.5
American Growth	108.2	111.7	+3.5
American Small Co.	83.6	87.5	+4.9
Australian Growth	90.6	94.5	+4.4
Corporate Inv. Com.	101.6	111.1	+9.4
Eq. East	87.4	92.3	+5.9
Hong Kong Pfd.	111.4	117.2	+5.6
International Growth	101.5	106.8	+4.7
Japan Pensions	90.6	95.5	+5.9
Japan Small Co.	76.5	80.0	+4.4
UK Growth	112.1	118.5	+6.3
Managed	100.4	105.5	+5.1
Scandia Franklin Funds	109.2	99.0	-10.2
American General	103.9	90.6	-14.3
American Farmland	103.9	90.6	-14.3
Capital	134.9	141.9	+5.2
Conversion & Gilt	113.5	119.5	+5.6
Extra Income	105.8	114.0	+8.4
Int'l. Inv.	112.1	115.0	+2.6
Int'l. Recovery	107.0	111.7	+4.1
Gold	96.6	101.8	+5.2
Global Shares	106.3	111.8	+5.1
Gold Share	102.9	107.5	+4.6
High Income	105.7	114.4	+8.7
Japan	112.3	124.2	+10.9
Oil & Energy	96.4	101.8	+5.4
Small & Smaller Companies	119.7	124.0	+4.3
UK Small Co. Inv.	112.8	111.5	-1.2
Managed	101.1	106.3	+5.2
Scandia Henderson Funds	109.2	114.9	+6.7
Small Shares	109.2	114.9	+6.7
Corporate Inv.	104.9	111.8	+6.7
Capital Growth	116.0	121.1	+4.6
Income & Assets	116.0	122.9	+4.5
Investing & Growth	124.0	125.7	+0.7
Extra Income	112.3	119.0	+6.7
Corporate Inv. Com.	112.3	119.0	+6.7
Small & Smaller Companies	116.4	121.5	+4.6
Smaller Companies	111.8	117.6	+5.3
Scandia Life Assurance	101.1	107.0	+6.9
Scandia Managed Funds	102.7	108.1	+5.4
Private Managed Funds	120.1	121.8	+1.7
Arbitrage Managed	112.0	124.0	+11.8
British Managed	115.5	121.6	+5.6
Frankfurt Managed	113.1	121.6	+6.5
Corporate Managed	111.1	121.6	+10.5
Int'l. Managed	112.6	121.6	+8.0
Scandia Managed	111.2	117.0	+5.8
All funds have separate pages		Unit Price	
available from Scandia Life			
Standard Life Assurance Company 3 George St, Edinburgh EH2 2AZ.	031-225 2252	TSB Life Ltd. Managed Fund	114.8
Property	117.0	125.4	+8.4
Corporate	124.4	130.9	+6.5
International	241.9	254.7	+5.0
Fund Interest	200.3	214.0	+4.4
Cash	111.2	114.0	-2.6
Peer Managed Fund	149.6	154.1	+3.1
Peer Property Fund	191.2	201.3	+5.4
Peer Equity Fund	178.8	184.0	+3.8
Peer Inv. Inv.	109.4	107.5	-1.9
Peer Inv. Inv. Ltd.	111.7	117.0	+5.2
Peer Cash Fund	180.8	190.0	+5.1
San Alliance Insurance Group San Alliance House, Horsham.	0403 641411	TSB Life Ltd. Property Fund	114.8
Life Funds	104.9	121.0	+16.1
Corporate Fund	106.8	121.0	+14.2
Fund Interest Fund	113.6	128.0	+10.4
Property Fund	229.5	234.5	+5.0
Investment Fund	104.7	112.0	+7.3
Equity Income Fund	104.7	109.2	+5.3
PAI Inv. Fund	102.9	107.0	+4.3
PAI Corp Inv. Fund	102.6	117.2	+10.6
PAI Inv. Inv. Fund	111.7	117.0	+5.3
PAI Corp Inv. Fund	110.5	117.0	+6.5
PAI Inv. Inv. Ltd.	111.7	117.0	+5.3
PAI Corp Inv. Ltd.	111.7	117.0	+5.3
PAI Inv. Inv. Fund	111.7	117.0	+5.3
PAI Corp Inv. Fund	111.7	117.0	+5.3
PAI Inv. Inv. Ltd.	111.7	117.0	+5.3
PAI Corp Inv. Ltd.	111.7	117.0	+5.3
PAI Inv. Inv. Fund	111.7	117.0	+5.3
PAI Corp Inv. Fund	111.7	117.0	+5.3
PAI Inv. Inv. Ltd.	111.7	117.0	+5.3
PAI Corp Inv. Ltd.	111.7	117.0	+5.3
PAI Inv. Inv. Fund	111.7	117.0	+5.3
PAI Corp Inv. Fund	111.7	117.0	+5.3
PAI Inv. Inv. Ltd.	111.7	117.0	+5.3
PAI Corp Inv. Ltd.	111.7	117.0	+5.3
PAI Inv. Inv. Fund	111.7	117.0	+5.3
PAI Corp Inv. Fund	111.7	117.0	+5.3
PAI Inv. Inv. Ltd.	111.7	117.0	+5.3
PAI Corp Inv. Ltd.	111.7	117.0	+5.3
PAI Inv. Inv. Fund	111.7	117.0	+5.3
PAI Corp Inv. Fund	111.7	117.0	+5.3
PAI Inv. Inv. Ltd.	111.7	117.0	+5.3
PAI Corp Inv. Ltd.	111.7	117.0	+5.3
PAI Inv. Inv. Fund	111.7	117.0	+5.3
PAI Corp Inv. Fund	111.7	117.0	+5.3
PAI Inv. Inv. Ltd.	111.7	117.0	+5.3
PAI Corp Inv. Ltd.	111.7	117.0	+5.3
PAI Inv. Inv. Fund	111.7	117.0	+5.3
PAI Corp Inv. Fund	111.7	117.0	+5.3
PAI Inv. Inv. Ltd.	111.7	117.0	+5.3
PAI Corp Inv. Ltd.	111.7	117.0	+5.3
PAI Inv. Inv. Fund	111.7	117.0	+5.3
PAI Corp Inv. Fund	111.7	117.0	+5.3
PAI Inv. Inv. Ltd.	111.7	117.0	+5.3
PAI Corp Inv. Ltd.	111.7	117.0	+5.3
PAI Inv. Inv. Fund	111.7	117.0	+5.3
PAI Corp Inv. Fund	111.7	117.0	+5.3
PAI Inv. Inv. Ltd.	111.7	117.0	+5.3
PAI Corp Inv. Ltd.	111.7	117.0	+5.3
PAI Inv. Inv. Fund	111.7	117.0	+5.3
PAI Corp Inv. Fund	111.7	117.0	+5.3
PAI Inv. Inv. Ltd.	111.7	117.0	+5.3
PAI Corp Inv. Ltd.	111.7	117.0	+5.3
PAI Inv. Inv. Fund	111.7	117.0	+5.3
PAI Corp Inv. Fund	111.7	117.0	+5.3
PAI Inv. Inv. Ltd.	111.7	117.0	+5.3
PAI Corp Inv. Ltd.	111.7	117.0	+5.3
PAI Inv. Inv. Fund	111.7	117.0	+5.3
PAI Corp Inv. Fund	111.7	117.0	+5.3
PAI Inv. Inv. Ltd.	111.7	117.0	+5.3
PAI Corp Inv. Ltd.	111.7	117.0	+5.3
PAI Inv. Inv. Fund	111.7	117.0	+5.3
PAI Corp Inv. Fund	111.7	117.0	+5.3
PAI Inv. Inv. Ltd.	111.7	117.0	+5.3
PAI Corp Inv. Ltd.	111.7	117.0	+5.3
PAI Inv. Inv. Fund	111.7	117.0	+5.3
PAI Corp Inv. Fund	111.7	117.0	+5.3
PAI Inv. Inv. Ltd.	111.7	117.0	+5.3
PAI Corp Inv. Ltd.	111.7	117.0	+5.3
PAI Inv. Inv. Fund	111.7	117.0	+5.3
PAI Corp Inv. Fund	111.7	117.0	+5.3
PAI Inv. Inv. Ltd.	111.7	117.0	+5.3
PAI Corp Inv. Ltd.	111.7	117.0	+5.3
PAI Inv. Inv. Fund	111.7	117.0	+5.3
PAI Corp Inv. Fund	111.7	117.0	+5.3
PAI Inv. Inv. Ltd.	111.7	117.0	+5.3
PAI Corp Inv. Ltd.	111.7	117.0	+5.3
PAI Inv. Inv. Fund	111.7	117.0	+5.3
PAI Corp Inv. Fund	111.7	117.0	+5.3
PAI Inv. Inv. Ltd.	111.7	117.0	+5.3
PAI Corp Inv. Ltd.	111.7	117.0	+5.3
PAI Inv. Inv. Fund	111.7	117.0	+5.3
PAI Corp Inv. Fund	111.7	117.0	+5.3
PAI Inv. Inv. Ltd.	111.7	117.0	+5.3
PAI Corp Inv. Ltd.	111.7	117.0	+5.3
PAI Inv. Inv. Fund	111.7	117.0	+5.3
PAI Corp Inv. Fund	111.7	117.0	+5.3
PAI Inv. Inv. Ltd.	111.7	117.0	+5.3
PAI Corp Inv. Ltd.	111.7	117.0	+5.3
PAI Inv. Inv. Fund	111.7	117.0	+5.3
PAI Corp Inv. Fund	111.7	117.0	+5.3
PAI Inv. Inv. Ltd.	111.7	117.0	+5.3
PAI Corp Inv. Ltd.	111.7	117.0	+5.3
PAI Inv. Inv. Fund	111.7	117.0	+5.3
PAI Corp Inv. Fund	111.7	117.0	+5.3
PAI Inv. Inv. Ltd.	111.7	117.0	+5.3
PAI Corp Inv. Ltd.	111.7	117.0	+5.3
PAI Inv. Inv. Fund	111.7	117.0	+5.3
PAI Corp Inv. Fund	111.7	117.0	+5.3
PAI Inv. Inv. Ltd.	111.7	117.0	+5.3
PAI Corp Inv. Ltd.	111.7	117.0	+5.3
PAI Inv. Inv. Fund	111.7	117.0	+5.3
PAI Corp Inv. Fund	111.7	117.0	+5.3
PAI Inv. Inv. Ltd.	111.7	117.0	+5.3
PAI Corp Inv. Ltd.	111.7	117.0	+5.3
PAI Inv. Inv. Fund	111.7	117.0	+5.3
PAI Corp Inv. Fund	111.7	117.0	+5.3
PAI Inv. Inv. Ltd.	111.7	117.0	+5.3
PAI Corp Inv. Ltd.	111.7	117.0	+5.

INSURANCE, OVERSEAS & MONEY FUNDS

Australian Govt Mgmt Ltd	0624 20845	EBC Trust Company (Jersey) Ltd.	01-304-34531	Hambros Bank Ltd	01-580 2851	Manufacturers Merchant Bankers	0481-23
46, Atrial Street, Douglas, Isle of Man		1-3 Gate St, St. Peter Port, Jersey		41, Bishopsgate, London EC2	01-580 2851	PD Box 92, St. Peter Port, Jersey	
Aust Govt Fund	43.94	44.11		Managers Pd. Wriggs (C.I.) Ltd.		Box 11145	12.22
New Quater due: November 4		US\$ Div. Fund		Pd. Govt. Com. Com.		Oct 2000 due	-0.08
K.L.A. Bond Investments AG		U.S. Div. Fund	51.004	U.S. Fund	517.8	LA Inv.	101.90
10, Eschenstrasse CH-8301, Zug, Switzerland		Div. Inv. Fund	51.004	Special Svc. Fund	501.5	LA Acc.	101.10
Euro Inv. Securities 30.10.2002 11.000		Mid-Car. Inv. Fund	51.005	Securing Income Fund	510.7	Opening Day Tuesday	-0.20
BMP Inv. Mgmt (Jersey) Ltd	0594 76222	Div. Inv. Fund	51.005	Div. Income Fund	510.7		
PO Box 150, St. Peter Port, Jersey		Excess Long Term	545.25	Int. Bond Fund	510.8		
BMP Investments Fund Ltd		European Banking Trade Currency Fund		Int. Equity Fund	511.07		
U.S. Amer.	510.13	Income	510.22	Int. Equity Fund	511.07		
Div. Inv.	510.26	Capital	511.09	Int. Equity Fund	511.07		
Div. Inv.	510.31			Int. Equity Fund	511.07		
BMP Investments Fund Ltd				Int. Equity Fund	511.07		
North America	101.00			Int. Equity Fund	511.07		
Far East	101.31			Int. Equity Fund	511.07		
James Baer Bank & Trust Co Ltd				Int. Equity Fund	511.07		
Battlefield House, Grand Cayman				Int. Equity Fund	511.07		
Liquor J Bar St Rd. H-753	1.004			Int. Equity Fund	511.07		
Div. Bar. J. Bar St Rd. H-753	1.002			Int. Equity Fund	511.07		
Div. Bar. J. Bar St Rd. H-753	1.002			Int. Equity Fund	511.07		
Standard Braund Gouvern Mgmt. Ltd.				Int. Equity Fund	511.07		
PO Box 71, St. Peter Port, Guernsey				Int. Equity Fund	511.07		
Tech and Comms.	1.10			Int. Equity Fund	511.07		
The Bangkok Fund				Int. Equity Fund	511.07		
Bangkok First Inv. & Trust Inv. Advisors				Int. Equity Fund	511.07		
300 Silom Road, Bangkok, Thailand				Int. Equity Fund	511.07		
NAV Oct 22 BANT 261.201.17 (US\$101.20)				Int. Equity Fund	511.07		
Bank of America International S.A.				Int. Equity Fund	511.07		
35 Boulevard Royal, Luxembourg 60				Int. Equity Fund	511.07		
Worldwide Inv. 10/10/01 141.00 4.20 7.45				Int. Equity Fund	511.07		
Barclays Ulcara International				Int. Equity Fund	511.07		
1, Chancery Cross, St. Peter Port, Jersey				Int. Equity Fund	511.07		
U.S. Amer. Trust	144.8	44.41		Int. Equity Fund	511.07		
U.S. Amer. Trust	155.02	44.88		Int. Equity Fund	511.07		
U.S. Amer. Trust	155.18	45.05		Int. Equity Fund	511.07		
U.S. Amer. Trust	155.25	45.12		Int. Equity Fund	511.07		
U.S. Amer. Trust	155.32	45.19		Int. Equity Fund	511.07		
U.S. Amer. Trust	155.39	45.26		Int. Equity Fund	511.07		
U.S. Amer. Trust	155.46	45.33		Int. Equity Fund	511.07		
U.S. Amer. Trust	155.53	45.40		Int. Equity Fund	511.07		
U.S. Amer. Trust	155.60	45.47		Int. Equity Fund	511.07		
U.S. Amer. Trust	155.67	45.54		Int. Equity Fund	511.07		
U.S. Amer. Trust	155.74	45.61		Int. Equity Fund	511.07		
U.S. Amer. Trust	155.81	45.68		Int. Equity Fund	511.07		
U.S. Amer. Trust	155.88	45.75		Int. Equity Fund	511.07		
U.S. Amer. Trust	155.95	45.82		Int. Equity Fund	511.07		
U.S. Amer. Trust	156.02	45.89		Int. Equity Fund	511.07		
U.S. Amer. Trust	156.09	45.96		Int. Equity Fund	511.07		
U.S. Amer. Trust	156.16	46.03		Int. Equity Fund	511.07		
U.S. Amer. Trust	156.23	46.10		Int. Equity Fund	511.07		
U.S. Amer. Trust	156.30	46.17		Int. Equity Fund	511.07		
U.S. Amer. Trust	156.37	46.24		Int. Equity Fund	511.07		
U.S. Amer. Trust	156.44	46.31		Int. Equity Fund	511.07		
U.S. Amer. Trust	156.51	46.38		Int. Equity Fund	511.07		
U.S. Amer. Trust	156.58	46.45		Int. Equity Fund	511.07		
U.S. Amer. Trust	156.65	46.52		Int. Equity Fund	511.07		
U.S. Amer. Trust	156.72	46.59		Int. Equity Fund	511.07		
U.S. Amer. Trust	156.79	46.66		Int. Equity Fund	511.07		
U.S. Amer. Trust	156.86	46.73		Int. Equity Fund	511.07		
U.S. Amer. Trust	156.93	46.80		Int. Equity Fund	511.07		
U.S. Amer. Trust	157.00	46.87		Int. Equity Fund	511.07		
U.S. Amer. Trust	157.07	46.94		Int. Equity Fund	511.07		
U.S. Amer. Trust	157.14	47.01		Int. Equity Fund	511.07		
U.S. Amer. Trust	157.21	47.08		Int. Equity Fund	511.07		
U.S. Amer. Trust	157.28	47.15		Int. Equity Fund	511.07		
U.S. Amer. Trust	157.35	47.22		Int. Equity Fund	511.07		
U.S. Amer. Trust	157.42	47.29		Int. Equity Fund	511.07		
U.S. Amer. Trust	157.49	47.36		Int. Equity Fund	511.07		
U.S. Amer. Trust	157.56	47.43		Int. Equity Fund	511.07		
U.S. Amer. Trust	157.63	47.50		Int. Equity Fund	511.07		
U.S. Amer. Trust	157.70	47.57		Int. Equity Fund	511.07		
U.S. Amer. Trust	157.77	47.64		Int. Equity Fund	511.07		
U.S. Amer. Trust	157.84	47.71		Int. Equity Fund	511.07		
U.S. Amer. Trust	157.91	47.78		Int. Equity Fund	511.07		
U.S. Amer. Trust	157.98	47.85		Int. Equity Fund	511.07		
U.S. Amer. Trust	158.05	47.92		Int. Equity Fund	511.07		
U.S. Amer. Trust	158.12	47.99		Int. Equity Fund	511.07		
U.S. Amer. Trust	158.19	48.06		Int. Equity Fund	511.07		
U.S. Amer. Trust	158.26	48.13		Int. Equity Fund	511.07		
U.S. Amer. Trust	158.33	48.20		Int. Equity Fund	511.07		
U.S. Amer. Trust	158.40	48.27		Int. Equity Fund	511.07		
U.S. Amer. Trust	158.47	48.34		Int. Equity Fund	511.07		
U.S. Amer. Trust	158.54	48.41		Int. Equity Fund	511.07		
U.S. Amer. Trust	158.61	48.48		Int. Equity Fund	511.07		
U.S. Amer. Trust	158.68	48.55		Int. Equity Fund	511.07		
U.S. Amer. Trust	158.75	48.62		Int. Equity Fund	511.07		
U.S. Amer. Trust	158.82	48.69		Int. Equity Fund	511.07		
U.S. Amer. Trust	158.89	48.76		Int. Equity Fund	511.07		
U.S. Amer. Trust	158.96	48.83		Int. Equity Fund	511.07		
U.S. Amer. Trust	159.03	48.90		Int. Equity Fund	511.07		
U.S. Amer. Trust	159.10	48.97		Int. Equity Fund	511.07		
U.S. Amer. Trust	159.17	49.04		Int. Equity Fund	511.07		
U.S. Amer. Trust	159.24	49.11		Int. Equity Fund	511.07		
U.S. Amer. Trust	159.31	49.18		Int. Equity Fund	511.07		
U.S. Amer. Trust	159.38	49.25		Int. Equity Fund	511.07		
U.S. Amer. Trust	159.45	49.32		Int. Equity Fund	511.07		
U.S. Amer. Trust	159.52	49.39		Int. Equity Fund	511.07		
U.S. Amer. Trust	159.59	49.46		Int. Equity Fund	511.07		
U.S. Amer. Trust	159.66	49.53		Int. Equity Fund	511.07		
U.S. Amer. Trust	159.73	49.60		Int. Equity Fund	511.07		
U.S. Amer. Trust	159.80	49.67		Int. Equity Fund	511.07		
U.S. Amer. Trust	159.87	49.74		Int. Equity Fund	511.07		
U.S. Amer. Trust	159.94	49.81		Int. Equity Fund	511.07		
U.S. Amer. Trust	159.01	49.88		Int. Equity Fund	511.07		
U.S. Amer. Trust	159.08	49.95		Int. Equity Fund	511.07		
U.S. Amer. Trust	159.15	50.02		Int. Equity Fund	511.07		
U.S. Amer. Trust	159.22	50.09		Int. Equity Fund	511.07		
U.S. Amer. Trust	159.29	50.16		Int. Equity Fund	511.07		
U.S. Amer. Trust	159.36	50.23		Int. Equity Fund	511.07		
U.S. Amer. Trust	159.43	50.30		Int. Equity Fund	511.07		
U.S. Amer. Trust	159.50	50.37		Int. Equity Fund	511.07		
U.S. Amer. Trust	159.57	50.44		Int. Equity Fund	511.07		
U.S. Amer. Trust	159.64	50.51		Int. Equity Fund	511.07		
U.S. Amer. Trust	159.71	50.58		Int. Equity Fund	511.07		
U.S. Amer. Trust	159.78	50.65		Int. Equity Fund	511.07		
U.S. Amer. Trust	159.85	50.72		Int. Equity Fund	511.07		
U.S. Amer. Trust	159.92	50.79		Int. Equity Fund	511.07		
U.S. Amer. Trust	159.99	50.86		Int. Equity Fund	511.07		
U.S. Amer. Trust	160.06	50.93		Int. Equity Fund	511.07		
U.S. Amer. Trust	160.13	50.90		Int. Equity Fund	511.07		
U.S. Amer. Trust	160.20	50.97		Int. Equity Fund	511.07		
U.S. Amer. Trust	160.27	51.04		Int. Equity Fund	511.07		
U.S. Amer. Trust	160.34	51.11		Int. Equity Fund	511.07		
U.S. Amer. Trust	160.41	51.18		Int. Equity Fund	511.07		
U.S. Amer. Trust	160.48	51.25		Int. Equity Fund	511.07		
U.S. Amer. Trust	160.55	51.32		Int. Equity Fund	511.07		
U.S. Amer. Trust	160.62	51.39		Int. Equity Fund	511.07		
U.S. Amer. Trust	160.69	51.46		Int. Equity Fund	511.07		
U.S. Amer. Trust	160.76	51.53		Int. Equity Fund	511.07		
U.S. Amer. Trust	160.83	51.60		Int. Equity Fund	511.07		
U.S. Amer. Trust	160.90	51.67		Int. Equity Fund	511.07		
U.S. Amer. Trust	160.97	51.74		Int. Equity Fund	511.07		
U.S. Amer. Trust	161.0						

Royal Trust International Fd. Mngt. Ltd.	0334-27441	U.S. W. ¹ 100.00	100.00	100.00
PO Box 194, St. Helier, Jersey.				
Starkey Fund, Inc.	000-911	0.921	+0.007	0.928
International Series	013-380	1.407	+0.004	1.411
International Series	013-380	0.971	+0.004	0.975
Prices on Oct. 23. Next closing Oct. 30.				
SCI/TECH S.A.				
2 Boulevard Royal, Luxembourg				
SCI/TECH NAV	510.00	1	1	1
Save & Prosper International				
PO Box 73, St. Helier, Jersey.				
Fund Interest Funds				
Overseas Fund	001-105	11.47	-1.06	1.71
U.S. Fund	001-12	1.45	-0.05	1.20
Div. Fund	014-11	120.7	-1.06	120.7
Yen Fund	014-13	1.02	-0.05	1.02
Equity Funds				
Global Portfolio Fd.	013-19	5.42	-1.06	1.41
Global Portfolio Fd.	013-64	3.94	-1.06	1.28
UK Growth Fund	013-2	127.4	-1.06	127.4
Emer. Fund	013-104	11.94	-1.06	1.28
For Export	013-47	20.24	-1.06	1.28
North American Fund	013-72	10.35	-1.06	1.28
Gold	013-57	10.35	-1.06	1.28
Japan	013-22	3.47	-1.06	1.28
Balanced Fund NAV	510.00	1	1	1
Midtermary Reserve Fund				
U.S. S.	1.00	1	1	1
U.S. M.	1.00	1	1	1
U.S. Short	1.00	1	1	1
Yen	1.00	1	1	1
Deposit Fund	121.00	210.2	+0.31	0.32
Stock Deposit				
Only since closing 20.10.05				
Scandinavian Bk Fd Mngt Ltd				
P.O. Box 1904, GrandCayman, A.W.L.	809-94-00244			
SIL Int. Inv. Fd Ltd				
Int. Equity Fd	011-11	1.01	1	1
Int. Inv. & Corp. Fd	011-12	1.01	1	1
Schroder Mngt Services (Jersey) Ltd				
PO Box 195, St. Helier, Jersey.	0034-27554			
Schroder Money Funds Ltd				
Starkey	013-5165	10.61	1	1
U.S. S.	013-6749	1.26	1	1
U.S. M.	013-6423	1.26	1	1
U.S. Short	013-5221	1.26	1	1
Yen	013-5110	1.26	1	1
J. Henry Schroder Waggs & Co. Ltd.	01-5924000			
120, Chancery, EC2				
Am. Inv. Fd 10.1	520.07	1.13	1	1
Am. Inv. Fd 10.2	530.90	1.13	1	1
Am. Inv. Fd 10.3	530.07	1.13	1	1
Darling Inv. Fd 10.2	145.49	5.21	+0.04	5.25
James Fund 10.2	522.08	25.75		
Tristar Fund 10.2	510.95	17.00		
Notes & Tr. 10.2	520.71			
Schroder Unit Trust Mngt. Int. Ltd.				
Box 273 St. Peter Port, Guernsey.	0481-26750			
Ampl. Currency	000-0	320.3	+2.1	345.45
U.S. Bond	004-3	1.45	-1.4	0.05
U.S. Equity	004-5	197.7	-1.4	195.3
Sp. Bond	004-1	1.45	-1.4	0.05
Sp. Equity	004-2	1.45	-1.4	0.05
U.K. Equity	004-4	1.45	-1.4	0.05
Hong Kong Fund	004-42	11.36	+0.05	1.79
Schroder Portfolio Selection Fund Ltd.				
Ampl. Currency	011-04	1,126.6	1	1
American Smaller Cos.	010-13	1,080.0	1	1
Assurance Fd	007-0	12.30	1	1
British Fund	008-0	11.57	1	1
Emerging Fund	009-0	12.30	1	1
U.S. Fund	009-3	40.20	1	1
Gold Fund	009-6	207.90	1	1
International Fund	009-5	102.10	1	1
Japanese Fund	009-6	101.10	1	1
Japan Smaller Cos.	009-4	12.30	1	1
Latin Amer. Fund	009-5	10.70	1	1
Other Fund	009-6	10.70	1	1
Sterling Fund Int.	009-4	10.30	1	1
Deutschmark Currency	5.014	2.29	1	1
Dollar Currency	1.005	1.02	1	1
Sterling Currency	2.000	1.02	1	1
Yen Currency	0.11	1.02	1	1
Dollar Reserve Fund	1.000	1	1	1
Kelvin Life Assurance Ltd. Int. Ltd.				
Ampl. Curacy Life Fd	001-1	741.55	1	1
2. Fixed Int. Life Fd	007-2	921.0	1	1
2. Equity Life Fd	013-6	208.1	1	1
2. Fixed Int. Life Fd	013-7	208.1	1	1
2. Equity Life Fd	013-8	208.1	1	1
2. Equity Life Fd	013-9	184.5	1	1
2. Equity Life Fd	013-10	141.7	1	1
2. Equity Life Fd	013-11	141.7	1	1
2. Equity Life Fd	013-12	10.50	1	1
Prices Oct. 23. Next closing Oct. 30. Today closing.				
Sheringham Kang-See Mngmt, Jersey				
2, Castle Cross St. Helier, Jersey.	0334-73741			
SIG Capital Fund	004-0	364.5	1	1
SIG Income Fund	013-8	14.00	1	1
SIG Bond	013-1	255.9	1	1
Securitatis Selection Ltd.				
Bernard Hse, St. Peter Port, Guernsey.	0481-26268			
Permitted	011-10	6.42	1	1
Sentry Assurance International Ltd.				
P.O. Box 1776, Hanwell, M4, Berks.	55303			
For Funds/Price: Prico UK 0327 41454				
Seaview International Trust				
Fund Mngt. Kavari Invest. Trust Co Ltd				
60 Victoria's Cross, Ltd, King William Street, London, EC4	01-623 2494			
NAV was 8219.43. IDR value US\$9,046.43.				
Seven Arrows Fund NV				
62 de Ruyckstraat, Covenra, Netherlands Antilles				
NAV Oct. 25	974.64	1	1	24.20
Shaper & Friedlander Ltd. Agents.				
21 New St. Bishopton, EC2N 4HR	01-623 3000			
Telco Tel. Oct. 2	57.70	1	1	2.00
Schlesinger International Ltd.				
P.O. Box 44, Gtewey, C.I. 0061 27111.				
Investment Inv. No.15	6.46	1	1	1.78
International Inv. No.07	6.47	1	1	1.78
Societe Generale Merchant Bank plc				
60 Gracechurch St, London EC3V 0ET.	01-626 4622			
Fr. Second March. Inv. Fd. 002-597076/00				
Standard Bank Fund Managers				
129, Castle St.	01-623 6616 Anthony Waggs			
Gold Fund	001-37	1.62	-0.02	1.62
Gold Fund	013-508	3.74	-0.02	3.74
Extra Income Fd	002-735	0.745	+0.02	25.41
Standard Chartered Off. Money Mkt. Fund				
P.O. Box 122, St. Helier, Jersey.	0334-44954			
Starkey	012-2264	+0.004	10.31	10.31
U.S. S.	004-030	+0.004	7.02	7.02
D-Mkt	004-050	+0.003	7.02	7.02
U.K. Mkt	004-020	+0.003	7.02	7.02
International Inv.	004-015	1.46	-0.02	1.46
International Inv.	004-017	1.46	-0.02	1.46
Standard Chartered Off. Money Mkt. Fund				
PO Box 122, St. Helier, Jersey.	0334-73444			
Ampl. Curacy Fund	002-9	106.00	1	1
TSG Bond Fund	002-10	106.00	1	1
TSG Equity Fund	002-11	117.7	1	1
TSG Equity Fund	002-12	117.7	1	1
TSG Curacy Fund	002-13	105.30	1	1
Prices on October 23. Next closing Oct. 30.				
Tahuna (R.D.C.) Fund				
60 Victoria's Cross, Ltd, King William St, London, EC4	01-623 2494			
NAV 931. IDR value US\$10,761.55				
Taxman (Cayman) Managers Ltd and NATCO				
P.O. Box 2195, Great Cayman.	0101 (809) 9474746			
Westmorel County 10.27	5.94	1	1	1
Theodore Management Ltd.				
16, Flaxton Cross, London EC2N 7DQ	01-626 4761			
Japan Fund	013-24	11.04	+0.08	11.12
Australia Fund	013-45	1.04	+0.08	1.04
Emerging Fund	013-46	1.04	+0.08	1.04
UK Fund	013-47	1.04	+0.08	1.04
Jersey Fund	013-48	1.04	+0.08	1.04
Overseas Inv. Fd	013-49	1.04	+0.08	1.04
Asian Fund	013-50	1.04	+0.08	1.04
Emerging Fund	013-51	1.04	+0.08	1.04
UK Fund	013-52	1.04	+0.08	1.04
Jersey Fund	013-53	1.04	+0.08	1.04
Overseas Inv. Fd	013-54	1.04	+0.08	1.04
Asian Fund	013-55	1.04	+0.08	1.04
Emerging Fund	013-56	1.04	+0.08	1.04
UK Fund	013-57	1.04	+0.08	1.04
Jersey Fund	013-58	1.04	+0.08	1.04
Overseas Inv. Fd	013-59	1.04	+0.08	1.04
Asian Fund	013-60	1.04	+0.08	1.04
Emerging Fund	013-61	1.04	+0.08	1.04
UK Fund	013-62	1.04	+0.08	1.04
Jersey Fund	013-63	1.04	+0.08	1.04
Overseas Inv. Fd	013-64	1.04	+0.08	1.04
Asian Fund	013-65	1.04	+0.08	1.04
Emerging Fund	013-66	1.04	+0.08	1.04
UK Fund	013-67	1.04	+0.08	1.04
Jersey Fund	013-68	1.04	+0.08	1.04
Overseas Inv. Fd	013-69	1.04	+0.08	1.04
Asian Fund	013-70	1.04	+0.08	1.04
Emerging Fund	013-71	1.04	+0.08	1.04
UK Fund	013-72	1.04	+0.08	1.04
Jersey Fund	013-73	1.04	+0.08	1.04
Overseas Inv. Fd	013-74	1.04	+0.08	1.04
Asian Fund	013-75	1.04	+0.08	1.04
Emerging Fund	013-76	1.04	+0.08	1.04
UK Fund	013-77	1.04	+0.08	1.04
Jersey Fund	013-78	1.04	+0.08	1.04
Overseas Inv. Fd	013-79	1.04	+0.08	1.04
Asian Fund	013-80	1.04	+0.08	1.04
Emerging Fund	013-81	1.04	+0.08	1.04
UK Fund	013-82	1.04	+0.08	1.04
Jersey Fund	013-83	1.04	+0.08	1.04
Overseas Inv. Fd	013-84	1.04	+0.08	1.04
Asian Fund	013-85	1.04	+0.08	1.04
Emerging Fund	013-86	1.04	+0.08	1.04
UK Fund	013-87	1.04	+0.08	1.04
Jersey Fund	013-88	1.04	+0.08	1.04
Overseas Inv. Fd	013-89	1.04	+0.08	1.04
Asian Fund	013-90	1.04	+0.08	1.04
Emerging Fund	013-91	1.04	+0.08	1.04
UK Fund	013-92	1.04	+0.08	1.04
Jersey Fund	013-93	1.04	+0.08	1.04
Overseas Inv. Fd	013-94	1.04	+0.08	1.04
Asian Fund	013-95	1.04	+0.08	1.04
Emerging Fund	013-96	1.04	+0.08	1.04
UK Fund	013-97	1.04	+0.08	1.04
Jersey Fund	013-98	1.04	+0.08	1.04
Overseas Inv. Fd	013-99	1.04	+0.08	1.04
Asian Fund	013-100	1.04	+0.08	1.04
Emerging Fund	013-101	1.04	+0.08	1.04
UK Fund	013-102	1.04	+0.08	1.04
Jersey Fund	013-103	1.04	+0.08	1.04
Overseas Inv. Fd	013-104	1.04	+0.08	1.04
Asian Fund	013-105	1.04	+0.08	1.04
Emerging Fund	013-106	1.04	+0.08	1.04
UK Fund	013-107	1.04	+0.08	1.04
Jersey Fund	013-108	1.04	+0.08	1.04
Overseas Inv. Fd	013-109	1.04	+0.08	1.04
Asian Fund	013-110	1.04	+0.08	1.04
Emerging Fund	013-111	1.04	+0.08	1.04
UK Fund	013-112	1.04	+0.08	1.04
Jersey Fund	013-113	1.04	+0.08	1.04
Overseas Inv. Fd	013-114	1.04	+0.08	1.04
Asian Fund	013-115	1.04	+0.08	1.04
Emerging Fund	013-116	1.04	+0.08	1.04
UK Fund	013-117	1.04	+0.08	1.04
Jersey Fund	013-118	1.04	+0.08	1.04
Overseas Inv. Fd	013-119	1.04	+0.08	1.04
Asian Fund	013-120	1.04	+0.08	1.04
Emerging Fund	013-121	1.04	+0.08	1.04
UK Fund	013-122	1.04	+0.08	1.04
Jersey Fund	013-123	1.04	+0.08	1.04
Overseas Inv. Fd	013-124	1.04	+0.08	1.04
Asian Fund	013-125	1.04	+0.08	1.04
Emerging Fund	013-126	1.04	+0.08	1.04
UK Fund	013-127	1.04	+0.08	1.04
Jersey Fund	013-128	1.04	+0.08	1.04
Overseas Inv. Fd	013-129	1.04	+0.08	1.04
Asian Fund	013-130	1.04	+0.08	1.04
Emerging Fund	013-131	1.04	+0.08	1.04
UK Fund	013-132	1.04	+0.08	1.04
Jersey Fund	013-133	1.04	+0.08	1.04
Overseas Inv. Fd	013-134	1.04	+0.08	1.04
Asian Fund	013-135	1.04	+0.08	1.04
Emerging Fund	013-136	1.04	+0.08	1.04
UK Fund	013-137	1.04	+0.08	1.04
Jersey Fund	013-138	1.04	+0.08	1.04
Overseas Inv. Fd	013-139	1.04	+0.08	1.04
Asian Fund	013-140	1.04	+0.08	1.04
Emerging Fund	013-141	1.04	+0.08	1.04
UK Fund	013-142	1.04	+0.08	1.04
Jersey Fund	013-143	1.04	+0.08	1.04
Overseas Inv. Fd	013-144	1.04	+0.08	1.04
Asian Fund	013-145	1.04	+0.08	1.04
Emerging Fund	013-146	1.04	+0.08	1.04
UK Fund	013-147	1.04	+0.08	1.04
Jersey				

WORLD STOCK MARKETS

Indices

NEW YORK

DOW JONES

	Oct. 25	Oct. 24	Oct. 23	Oct. 22	Oct. 21	1985	Since Comp'n
	High	Low	High	Low	High	Low	High
Industrials	1,566.52	1,562.34	1,567.16	1,564.36	1,564.36	1,560.26	1,564.36
Home Bds	79.64	78.47	79.49	79.61	79.61	78.27	79.61
Transport.	649.58	655.66	660.81	662.22	658.94	657.31	658.94
Utilities...	159.16	158.96	157.95	156.84	154.98	168.91	146.54
TradingVol	101,810,123	110,121,121	100,111,121	99,560	—	—	—
Day's High	1,566.71	(1,574.55)	Low 1,561.59 (1,555.59)	Oct. 19	Oct. 11	Oct. 4	year ago/approx
Industrial dividend yield%	4.50	4.60	4.64	4.71	—	—	—

STANDARD AND POORES

DOW JONES

	Oct. 26	Oct. 24	Oct. 23	Oct. 22	Oct. 21	1985	Since Comp'n
	High	Low	High	Low	High	Low	High
Industrials	205.75	209.66	210.69	209.62	208.57	215.85	120.94
Composite	187.82	188.50	189.09	188.04	186.96	195.65	162.58
Industrial div. yield	5.73	5.75	5.86	4.06	—	—	—
Industrial P/E ratio	12.68	12.64	12.37	10.55	—	—	—
Long Gov. Bond yield	10.35	10.50	10.61	12.09	—	—	—

N.Y.S.E. ALL COMMON

Rises and Falls

	Oct. 25	Oct. 24	Oct. 23	Oct. 22	Oct. 21	1985	Since Comp'n
	High	Low	High	Low	High	Low	High
Issues Traded...	1,971	1,961	1,961	1,956	1,956	1,956	1,956
Falls	855	855	855	847	844	844	844
New Highs...	545	545	545	545	545	545	545
New Lows...	33	33	33	33	33	33	33

TORONTO

1985

	Oct. 25	Oct. 24	Oct. 23	Oct. 22	Oct. 21	1985
	High	Low	High	Low	High	Low
Metals & Minerals	1,745.47	1,739.47	1,744.47	1,739.07	1,740.47	1,739.27
Composite	2,072.88	2,047.28	2,062.88	2,041.9	2,059.28	2,048.53
Montreal Portfolio	126.08	127.38	125.12	128.27	129.33	127.00 (4.1)

NEW YORK ACTIVE STOCKS

Change

	Stocks traded	Change	Stocks traded	Change	Stocks traded	Change	Stocks traded	Change
Tex, Oil & Gas	474,500	19	—	—	ATT	1,871,300	204	—
Per. Inv. Nm...	2,895,700	204	—	Westing...	1,415,100	42	+1	
East. Inv. Nm...	1,000,000	—	—	General Motors	1,197,500	844	-1	
East. Air	2,188,700	74	-1	—	—	—	—	
Phillips Pet.	1,881,500	13	-1	Southern	1,037,300	202	-1	

	Stocks traded	Change	Stocks traded	Change	Stocks traded	Change	Stocks traded	Change
Tex, Oil & Gas	474,500	19	—	—	ATT	1,871,300	204	—
Per. Inv. Nm...	2,895,700	204	—	Westing...	1,415,100	42	+1	
East. Inv. Nm...	1,000,000	—	—	General Motors	1,197,500	844	-1	
East. Air	2,188,700	74	-1	—	—	—	—	
Phillips Pet.	1,881,500	13	-1	Southern	1,037,300	202	-1	

NEW YORK ACTIVE STOCKS

Change

	Stocks traded	Change	Stocks traded	Change	Stocks traded	Change	Stocks traded	Change
Tex, Oil & Gas	474,500	19	—	—	ATT	1,871,300	204	—
Per. Inv. Nm...	2,895,700	204	—	Westing...	1,415,100	42	+1	
East. Inv. Nm...	1,000,000	—	—	General Motors	1,197,500	844	-1	
East. Air	2,188,700	74	-1	—	—	—	—	
Phillips Pet.	1,881,500	13	-1	Southern	1,037,300	202	-1	

	Stocks traded	Change	Stocks traded	Change	Stocks traded	Change	Stocks traded	Change
Tex, Oil & Gas	474,500	19	—	—	ATT	1,871,300	204	—
Per. Inv. Nm...	2,895,700	204	—	Westing...	1,415,100	42	+1	
East. Inv. Nm...	1,000,000	—	—	General Motors	1,197,500	844	-1	
East. Air	2,188,700	74	-1	—	—	—	—	
Phillips Pet.	1,881,500	13	-1	Southern	1,037,300	202	-1	

NEW YORK ACTIVE STOCKS

Change

	Stocks traded	Change	Stocks traded	Change	Stocks traded	Change	Stocks traded	Change
Tex, Oil & Gas	474,500	19	—	—	ATT	1,871,300	204	—
Per. Inv. Nm...	2,895,700	204	—	Westing...	1,415,100	42	+1	
East. Inv. Nm...	1,000,000	—	—	General Motors	1,197,500	844	-1	
East. Air	2,188,700	74	-1	—	—	—	—	
Phillips Pet.	1,881,500	13	-1	Southern	1,037,300	202	-1	

NEW YORK ACTIVE STOCKS

Change

| | Stocks traded |
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NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, October 25

Continued on Page

NYSE COMPOSITE CLOSING PRICES

Continued from Page 34

12 Month High	Low	Stock	Div.	P/ Stk	100s	High	Low	Class Prev.	Chg/	12 Month High	Low	Stock	Div.	P/ Stk	100s	High	Low	Class Prev.	Chg/	12 Month High	Low	Stock	Div.	P/ Stk	100s	High	Low	Class Prev.	Chg/		
202	245	Peft	div 3.25	11	17	205	195	205	-20	202	195	Peft	0.0	3.9	11	205	205	205	205	-10	202	195	Peft	0.0	3.7	11	205	205	205	205	-10
311	277	Peft	pr 11	11	16	200	195	200	-10	311	277	Peft	0.0	2.1	11	200	200	200	200	-10	311	277	Peft	0.0	2.1	11	200	200	200	200	-10
417	501	Penet	2.20	40	43	200	195	200	-10	417	501	Penet	0.0	2.2	11	200	200	200	200	-10	417	501	Penet	0.0	2.2	11	200	200	200	200	-10
61	517	Penet	pr 50	45	70	200	195	200	-10	61	517	Penet	0.0	2.4	12	200	200	200	200	-10	61	517	Penet	0.0	2.4	12	200	200	200	200	-10
80	159	Penet	pr 20	20	20	200	195	200	-10	80	159	Penet	0.0	2.0	12	200	200	200	200	-10	80	159	Penet	0.0	2.0	12	200	200	200	200	-10
248	147	PepsiCo	2.20	7.5	8	200	195	200	-10	248	147	PepsiCo	0.0	2.0	12	200	200	200	200	-10	248	147	PepsiCo	0.0	2.0	12	200	200	200	200	-10
95	761	PepsiCo	7.8	8	20	200	195	200	-10	95	761	PepsiCo	0.0	1.8	12	200	200	200	200	-10	95	761	PepsiCo	0.0	1.8	12	200	200	200	200	-10
166	716	PepsiCo	11.2	14	16	220	215	220	-10	166	716	PepsiCo	0.0	1.8	12	220	220	220	220	-10	166	716	PepsiCo	0.0	1.8	12	220	220	220	220	-10
206	177	PepsiCo	14.5	14	18	220	215	220	-10	206	177	PepsiCo	0.0	1.8	12	220	220	220	220	-10	206	177	PepsiCo	0.0	1.8	12	220	220	220	220	-10
227	127	PepsiCo	17.8	13	13	210	205	210	-10	227	127	PepsiCo	0.0	1.8	12	210	210	210	210	-10	227	127	PepsiCo	0.0	1.8	12	210	210	210	210	-10
402	429	Philco	0.54	15	19	210	205	210	-10	402	429	Philco	0.0	1.8	12	210	210	210	210	-10	402	429	Philco	0.0	1.8	12	210	210	210	210	-10
374	174	Philco	12.25	12	14	210	205	210	-10	374	174	Philco	0.0	1.8	12	210	210	210	210	-10	374	174	Philco	0.0	1.8	12	210	210	210	210	-10
395	442	Philco	14.0	13	14	210	205	210	-10	395	442	Philco	0.0	1.8	12	210	210	210	210	-10	395	442	Philco	0.0	1.8	12	210	210	210	210	-10
89	172	Philco	14.0	13	14	210	205	210	-10	89	172	Philco	0.0	1.8	12	210	210	210	210	-10	89	172	Philco	0.0	1.8	12	210	210	210	210	-10
104	517	Philco	14.0	13	14	210	205	210	-10	104	517	Philco	0.0	1.8	12	210	210	210	210	-10	104	517	Philco	0.0	1.8	12	210	210	210	210	-10
105	517	Philco	14.0	13	14	210	205	210	-10	105	517	Philco	0.0	1.8	12	210	210	210	210	-10	105	517	Philco	0.0	1.8	12	210	210	210	210	-10
124	159	Philco	14.0	13	14	210	205	210	-10	124	159	Philco	0.0	1.8	12	210	210	210	210	-10	124	159	Philco	0.0	1.8	12	210	210	210	210	-10
135	174	Philco	14.0	13	14	210	205	210	-10	135	174	Philco	0.0	1.8	12	210	210	210	210	-10	135	174	Philco	0.0	1.8	12	210	210	210	210	-10
154	174	Philco	14.0	13	14	210	205	210	-10	154	174	Philco	0.0	1.8	12	210	210	210	210	-10	154	174	Philco	0.0	1.8	12	210	210	210	210	-10
174	174	Philco	14.0	13	14	210	205	210	-10	174	174	Philco	0.0	1.8	12	210	210	210	210	-10	174	174	Philco	0.0	1.8	12	210	210	210	210	-10
204	177	Philco	14.0	13	14	210	205	210	-10	204	177	Philco	0.0	1.8	12	210	210	210	210	-10	204	177	Philco	0.0	1.8	12	210	210	210	210	-10
223	127	Portec	0.50	5.0	5.0	210	205	210	-10	223	127	Portec	0.0	1.8	12	210	210	210	210	-10	223	127	Portec	0.0	1.8	12	210	210	210	210	-10
242	73	Portec	0.50	5.0	5.0	210	205	210	-10	242	73	Portec	0.0	1.8	12	210	210	210	210	-10	242	73	Portec	0.0	1.8	12	210	210	210	210	-10
251	105	Portec	0.50	5.0	5.0	210	205	210	-10	251	105	Portec	0.0	1.8	12	210	210	210	210	-10	251	105	Portec	0.0	1.8	12	210	210	210	210	-10
270	105	Portec	0.50	5.0	5.0	210	205	210	-10	270	105	Portec	0.0	1.8	12	210	210	210	210	-10	270	105	Portec	0.0	1.8	12	210	210	210	210	-10
289	105	Portec	0.50	5.0	5.0	210	205	210	-10	289	105	Portec	0.0	1.8	12	210	210	210	210	-10	289	105	Portec	0.0	1.8	12	210	210	210	210	-10
308	105	Portec	0.50	5.0	5.0	210	205	210	-10	308	105	Portec	0.0	1.8	12	210	210	210	210	-10	308	105	Portec	0.0	1.8	12	210	210	210	210	-10
327	105	Portec	0.50	5.0	5.0	210	205	210	-10	327	105	Portec	0.0	1.8	12	210	210	210	210	-10	327	105	Portec	0.0	1.8	12	210	210			

